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Kuwait Real Estate Holding Company

ANNUAL REPORT 2016

Kuwait Real Estate Holding K.P.S.C
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«In the name of God

Most Gracious & Beneficient»

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His Highness
Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah
Amir of Kuwait

His Highness
Sheikh Jaber Al-Mubarak
Al-Hamad Al-Sabah
Prime Minister

His Highness
Sheikh Nawaf Al - Ahmad
Al-Jaber Al-Sabah
Crown Prince

Board of Directors

Mr. Mohammed Barrak Al-Mutair
Chairman

Mr. Naji Abdullah Al-Abdulhadi
Vice Chairaman

Mr. Abdullah Mohammad Al-Mutair
Board Member

Mr. Mishal Abdulaziz Al-Nassar
Board Member

Mr. Feras Yousef Al-Ghanim
Board Member

Mr. Soud Abdulaziz Al-Mansour
Board Member

Executive Management

Mr. Tareq Ibrahim Al-Mansour
General Manager

Mr. Sulaiman Ahmad Al-Houti
Deputy General Manager Administrative & Personnel Affairs

Mr. Magdy Mahboub
Financial Manager

Mr. Paul Raj Anthoni Raj
Manager - Direct Investment Department

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Chairman's Message

Board Report to Shareholders on Performance of Company within Fiscal Year Ended on 31st December 2016

For myself and on behalf of my Bros. board members, I am pleased to put at your disposal the annual report of Kuwait Real-estate House Co. (KRH), during which we discuss the most prominent works and developments for the year ended on 31st December 2016.

Dear Noble Shareholders:

The past year was a great challenge whereas, after the consequences of the global international crisis, the Kuwaiti economy entered the phase of oil prices' downfall and the public budget deficiency spiral but the management of the company faced such challenges by careful attempts to maintain the company and its assets and working on its development and the enhancement of shareholders' rights.

Bros. Noble Attendees:

The devaluation of oil prices resulted in rendering the variety of economy a more insisting demand. Further, finding highly productive work opportunities became a priority issue for reducing Kuwait's reliance on oil revenues as a sole source with economically high risks and with a negative effect on the course of the private sector due to the role played by the governmental expenditure in activating the economy and the reliance of the private sector in most of its activities on such expenditure.

Therefore, the matter requires from the government to focus on making real and serious reforms for containing the current expenditure and giving priority to capital expenditure and continuing the application of policies aiming at increasing the role of the private sector economically and creating vaster investment opportunities.

As a reflection of the general economic situation, Kuwait Stock Exchange concluded 2016 on a divergence in its general indexes comparable to the end of 2015 as the price index increased by 133 points in percentage of 2.4% whereas the weight index regressed in amount of 1.6 point in percentage of 0.4% and Kuwait index 15 in amount of 15.4 point in percentage of 1.7%.

This is similar to the general variables as the daily rate of traded shares volume and the traded value decreased by 22.6% and 23.2% respectively and the daily average of the traded value reached 11.6 million dinars in 2016 against 15.1 millions in 2015.

Dear Shareholders:

There is no doubts that the low oil prices resulted in recording a slight financial deficiency amounted about 12% of the Gross Domestic Product (GDP) during the fiscal year 2015-2016 and another similar deficiency during the fiscal year 2016-2017 and which is expected to retreat in the fiscal year 2017-2018.

Therefore, it is expected that there will be difficulties in business environment and operational activities as a result of the regression of the rhythm of capital projects and the difficulty of finance mechanisms and the anticipation of raised cost of borrowing during the following period.

Despite the aforesaid financial challenges, Kuwait Real-estate Holding Co. achieved in the past year (2016) profits reaching 77,138 KD in amount of 0.41 fils per share comparable to profits reaching 171,676 Kuwaiti Dinar in 2015; i.e. in amount of 0.91 fils per share.

The shareholders' equity amounted 9,786,055 Kuwaiti Dinar comparable to 8,780,461 Kuwaiti Dinar 2015; i.e. by an increase of 1,005,594 Kuwaiti Dinar and a percentage of 11.45%. Further, the total assets reached 34,745,071 Kuwaiti Dinar comparable to 33,703,816 Kuwaiti Dinar in 2015; i.e. by an increase of 1,041,255 Kuwaiti Dinar and a percentage of increase amounting 3.09%.

However, out care, in turn, for keeping the company away from market and operation risks, the company achieved, thanks to Allah, some of its objectives including dissociations and structure despite the difficult work and operation environment in the local market.

On the internal level, KRH continued paying attention to human resources, which form and constitute one of the development, promotion and progress elements in the different fields of work for the sake of maintaining the assets and property of the company and the development thereof.

Dear Attendees:

What can be said in conclusion of this presentation is that the Kuwaiti economy is strong for the competitive features it enjoys and which distinguish it from other economies, the most important of which are the financial assets it has and the financial surpluses it enjoys but it has, at the meanwhile, to face the risks and the challenges, to which it may be liable, the first of which is the oil prices reduction and vibration and the challenge of income resources diversity and reducing the public expenditure in the economically unfeasible channels.

Dear Noble Shareholders:

In conclusion, it gives me pleasure to extend, in your name, our best greetings and congratulations to His Highness the Amir of Kuwait, Sheikh Sabah Al Ahmed Al Sabah, his sincere crown prince, the government of Kuwait and the noble Kuwaiti people, praying for Allah to keep the gift of security and safety in our beloved Kuwait, to prevail progress and property under the auspice and directions of H.H. the Amir of Kuwait and to support and guide our prudent leadership.

Thanks are also extended to our noble shareholders for the trust they granted to the board of directors and for the continuous support they provide. In turn, we renew our undertaking to double our efforts for maintaining KRH acquisitions and capabilities. We cannot miss extending our thanks to the members of the Legal Opinion and Sharia Control Board for your blessed and continuous efforts.

Further, I thank my Bros. board members and the members of the derivative committees as well as all Bros. the staff of the company for your efforts, giving and support.

Peace be upon you.

Chairman
Mr. Mohammad Barrak Al-Mutair

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GOVERNANCE REPORT

For the year 2016

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GOVERNANCE REPORT

For the year 2016

Introduction:

As KUWAIT REAL ESTATE HOLDING CO. (K.S.C.P) complies with the instructions released by the Capital Markets Authority on the regulations of governance and corporate disciplinary standards issued by the Capital Markets Authority, the company will annually issue a governance report reflecting its utmost care for the proper and sound implementation of governance rules, and clearly showing consolidation of common efforts exerted by the BOD and Executive Administration in this regard.

BOD of the company deems having in place a reasonable governance system as one of the principal bases for the prosperity of KUWAIT REAL ESTATE HOLDING CO., and its growth on the long run. BOD is committed to promote the value returning out well on the shareholders directly and continuously, taking into consideration the interests of all concerned stakeholders, including shareholders, staff, suppliers, clients, and working partners, as well as societies in which the company is conducting business.

Shareholders represent the highest level of governance, and the Articles of Association of the company draws the framework according to which KUWAIT REAL ESTATE HOLDING CO. should act, as being a public joint stock company, where governance framework of the company takes into consideration the application of applicable principles and standards set out by the Capital Markets Authority, Kuwait Stock Exchange and the Ministry of Commerce & Industry, for better devising out the company's policy, requirements and aspirations.

Implementation of Governance by KUWAIT REAL ESTATE HOLDING CO.:

BOD is deemed commissioned and responsible before shareholders of the company for ensuring that the company's goals keeps pace with the shareholders' expectations and aspirations. It is also commissioned to ensure effectiveness of the BOD acts, while focusing on that the company's goals shall comply with the legislative requirements, and professional codes of conduct determined by the Capital Markets Authority.

The first step for implementing an effective corporate governance system represented in shaping and developing the governance framework, so as to represent an effective mechanism contributing efficiently to complete such an ultimate implementation of governance framework. As for such ongoing supervisory efforts to measure the extent of effectiveness of effective corporate governance system implementation, BOD conducts periodical audits of governance framework, making such necessary amendments to its elements—where required, to ensure compatibility with such regulatory controls and variable working environment.

FIRST RULE

Building A Balanced BOD Structure

BOD Formation

Brief Summary of BOD Formation

The company has built a balanced BOD structure, where the majority of BOD members are non-executive members, including an independent member. On forming its BOD, the company further cared that the BOD shall constitute members of varied and vast expertise in the business field of the company, as well as accounting and financial domains, so to contribute to adding expertise needed for the company on discussing the subjects presented to the BOD.

BOD of the KUWAIT REAL ESTATE HOLDING CO. approved the formation of the current BOD during its meeting No. (2/2016), held on 1 June 2016, in accordance with the provisions of Companies Law and the instructions released by the Capital Markets Authority, as follows:

Member's Name	Member Category	Educational Qualification	Election Date / Appointment of Secretary
Mohamed Burrak Al-Mutair	Chairman – Non-Executive	BSc. in Business Administration	01/06/2016
Nagy Abdullah Al-Abd Al-Hadi	Vice Chairman Non-Executive	BSc. in Engineering	01/06/2016
Abdullah Mohamed Al-Mutair	BOD Member – Non-Executive	BSc. in Business Administration	01/06/2016
Feras Youssef Al-Ghanem	BOD Member – Non-Executive	BSc. in Business Administration	01/06/2016
Meshaal Abdel Aziz Al-Nassar	BOD Member – Non-Executive	BSc. in Business Administration, Real Estate & Insurance	01/06/2016
Saud Abdel Aziz Al-Mansour	BOD Member – Independent	BSc. in Business Administration	01/06/2016
Tarek Ibrahim Al-Mansour	General Manager – Secretary	BSc. in Business Administration	27/05/2013

Current Positions of BOD Members of M/s. KUWAIT REAL ESTATE HOLDING CO.

Mr. Mohamed Burrak Al-Mutair	
1	Chairman – KUWAIT REAL ESTATE HOLDING CO.
2	BOD Member of Gulf Development Co., Kingdom of Saudi Arabia

Mr. Nagy Abdullah Al-Abd Al-Hadi	
1	Vice Chairman – KUWAIT REAL ESTATE HOLDING CO.
2	Vice President of the Kuwaiti Engineers Society
3	Member of Consultant Board of the Kuwaiti Engineers Society

Mr. Abdullah Mohamed Al-Mutair	
1	BOD Member – KUWAIT REAL ESTATE HOLDING CO.
2	Chairman – AL-MUTAIR UNITED CO.
3	Chairman – Amanco Security, Guarding & Safety Equipment, since 2006 till date.

Mr. Feras Youssef Al-Ghanem	
1	BOD Member – KUWAIT REAL ESTATE HOLDING CO.
2	Vice Chariman & Managing Director – AL-MARZAM REAL ESTATE CO.
3	Director & Partner – Al-Ghanem National General Trading & Contracting Co.
4	Director & Partner – Divano Furniture & Furnishings Co.
5	Director & Partner – International Health Co. & Institute

Mr. Meshaal Abdel Aziz Al-Nassar	
1	BOD Member – KUWAIT REAL ESTATE HOLDING CO.
2	Vaice Chairman – AL-RAYA INTERNATIONAL REAL ESTATE CO.
3	BOD Member – Janan Real Estate Co. (KSA)
4	BOD Member – Islamic Investment Development Fund

Mr. Saud Abdel Aziz Al-Mansour	
1	BOD Member – KUWAIT REAL ESTATE HOLDING CO. / Independent
2	BOD Member – Pillars Financial Investment Co. (*formerly strategic*)
3	BOD Member – Arab Publishers Union

Mr. Tarek Ibrahim Al-Mansour	
1	General Manager – KUWAIT REAL ESTATE HOLDING CO.
2	BOD Secretary – KUWAIT REAL ESTATE HOLDING CO.
3	Chairman – Al-Fanar Investment Co.
4	BOD Member – Imtiaz Investment Group
5	BOD Member – Investment Companies Union
6	BOD Member – Olive VFM Holding Co. (Bahrain)
7	BOD Member – Omran Real Estate Development Co.
8	BOD Member – Jordan's River Kuwaiti Jordanian Co. (Jordan)

BOD Meetings held in 2016

BOD of M/s. KUWAIT REAL ESTATE HOLDING CO. has been convened for (6) meetings during 2016. The following table shows the details of such meetings as well as the number of meetings attended by each member.

Member Name	Position	Meeting No. (1/2016), dated 12/05/2016	Meeting No. (2/2016), dated 01/06/2016	Meeting No. (3/2016), dated 14/07/2016	Meeting No. (4/2016), dated 07/11/2016	Meeting No. (5/2016), dated 10/11/2016	Meeting No. (6/2016), dated 28/12/2016	Number of Meetings
Mohamed Burrak Al-Mutair	Chairman		✓	✓	✓	✓	✓	(5)
Nagy Abdullah Al-Abd Al-Hadi	Vice Chairman	✓	✓		✓	✓	✓	(5)
Abdullah Mohamed Al-Mutair	BOD Member	✓	✓	✓	✓	✓	✓	(6)
Feras Youssef Al-Ghanem	BOD Member		✓		✓	✓	✓	(4)
Meshaal Abdel Aziz Al-Nassar	BOD Member	✓	✓	✓	✓	✓		(5)
Saud Abdel Aziz Al-Mansour	BOD Member	✓	✓	✓	✓	✓	✓	(6)

Please insert (✓) in case the BOD member has attended the meeting.

BOD Meetings Minutes Recording, Coordination & Archiving

BOD secretary prepared a special register for BOD meetings of M/s. KUWAIT REAL ESTATE HOLDING CO., as well as special registers for minutes of Risks, Auditing, Nominations & Remunerations Committees. Each register contains information on the agenda points of each meeting, date, venue, time of kickoff and ending of each. Each meeting is assigned a serial number subject to year. Also, special files are prepared wherein meetings minutes are kept, including the discussions and deliberations taken place. BOD members are provided with agenda points duly supported with relevant documents. This is done before sufficient time allowing members to study such agenda points. Meeting minutes are signed by each one of the presents. Meetings held by forwarding, minutes thereof are signed by all members. Secretary works on well coordination and distribution of information relevant to members and amongst other stakeholders.

SECOND RULE

Proper Identification of Tasks & Responsibilities

2.1 Tasks & Powers

BOD approved the BOD Regulations setting in details all tasks, powers and jurisdictions of BOD and executive administration, and clearly separates between tasks and powers of the BOD and those of the Executive Administration, so as to ensure independence and full effectiveness of all parties.

BOD Charter

- The BOD's Practical Working Guide approved by the BOD in its meeting No. (2/2016) stipulates that the BOD shall bear full responsibility for KUWAIT REAL ESTATE HOLDING CO., including setting out the strategic goals of the company, risks management strategy, governance criteria, and responsibility for supervising over the executive administration and better protecting interests of the shareholders, creditors, staff, and all other stakeholders. It is also to ensure that the company's management is intact and within the framework of laws and instructions enforced by such supervisory authorities, Articles of Association, as well as internal regulations and policies of the company. The following is a brief summary of the general duties of BOD:

- To set the company's goals, strategies, plans, policies, and action plans relevant to the main works, as well as the financial, organizational and functional structure of the company, subject to regular review;

- To approve estimated annual balance sheets, as well as carried forward and annual financial statements;

- BOD of KUWAIT REAL ESTATE HOLDING CO. shall tackle all powers and authorities required for running the company without violating the powers granted to the general assembly. BOD's responsibility shall remain still to include all committees constitutes thereunder. BOD shall also bear responsibility for preparing the annual report to be presented to the annual general assembly of the company, which shall contain such information and data concerning the company's activities, financial position, results of its activities, and to what extent it is complying with the governance rules.

- BOD shall perform its tasks observing the due responsibility therefor, good will, diligence, and care. Its decisions should be based on complete information obtained from the executive administration, or any other reliable source. BOD may issue authorizations delegating some of its powers without such authorizations being general or for any unlimited period. BOD's responsibility shall remain effective towards any authorizations issued thereby.
- To ensure that the executive administration provides current and potential shareholders as well as investment community all information relevant to the company's businesses and activities, and the most recent updates relevant thereto. It is to verify that the annual report and financial reports to be published and communicated with shareholders are truly reflecting true conditions of the company.
- BOD member shall be representative of all shareholders, and shall act to the best interests of the company and its shareholders.

Policies & Procedures Regulating Executive Administration's Works

- BOD shall approve all policies and procedures regulating works of the executive departments and groups inside the company. Each working guide shall detail all tasks conducted by each executive department subject to the strategic goals set out by the BOD and internal regulations of the company. Such policies shall also explain all obligations assigned to the executive administration and general manager in light of such responsibilities granted thereto by the BOD of the company.

2.2 Most Significant BOD's Achievements during 2016

- BOD of KUWAIT REAL ESTATE HOLDING CO. cared for following up the performance of strategic plans and goals it has set in advance, communicating permanently with the executive administration for achieving such strategies. BOD also gave a great importance for corporate governance standards not only for implementing the procedures required therefrom, but also desiring for making such standards a method of acting and strategy applicable inside the company. During the past year, several achievements of the BOD are highlighted in such fields, the most significant of which are briefed as follows:

- To review the brief results of internal auditing committee works with regard to the internal auditor report on various departments of the company.
- To contract with an independent auditor for preparing the Internal Control Review (ICR).
- To contract with an independent office for preparing a specific report and measuring risks of the company.
- To generally supervise over the effective application of the governance rules and internal control procedures.
- To follow up with the executive administration the progress of company's activities, and discuss all remarks of the supervisory bodies.
- To hold regular meetings with risks management officers for discussion of potential risks with the company.
- To review all regular reports issued by the committees constituted by the BOD, and discuss the contents thereof.

- To supervise over the activities of nomination and remunerations committee on the self-assessment process of those members of BOD and executive administration.

2.3 BOD's Constituent Committees

- BOD of KUWAIT REAL ESTATE HOLDING CO. constituted such necessary number of specialized committees as per the corporate governance rules issued by the Capital Markets Authority, where BOD shall perform its works supported by such committees.

- BOD shall convene permanent and provisional committees aiming to distribute BOD's tasks and activities amongst its members.

- Members of such committees shall be appointed by the BOD, with due care for regular rotation of members, as shall be deemed fit by the BOD. A sufficient number of non-executive BOD members shall be appointed in such concerned committees, in addition to independent members subject to the best regulatory practices and instructions in this regard. Each committee shall have its own charter determining the purpose for each committee, aside from such necessary qualifications required for the committee membership.

- Constitution of BOD affiliated committees shall be in accordance with general procedures to be set by the BOD, including determination of the committee's task, tenure and such powers granted thereto during such a tenure, and how the BOD shall supervise over it. A committee shall report to the BOD of the procedures it shall proceed with, the outcomes its shall conclude, and such decisions it shall adopt with absolute transparency. BOD shall follow up activities of such committees regularly to verify it is carrying out such activities assigned thereto, and the same shall be approved by the BOD, and that the BOD has complied with the conditions to be fulfilled by members of such committees, including:

- A member should possess such reasonable capabilities and qualifications, as well as such sufficient expertise and honesty required for performing its tasks and responsibilities, while being acquainted with such financial, accounting and administrative rules, as shall be applicable for membership of Auditing & Risks Committee.
- It should not have any direct or indirect interest in the works and contracts to be concluded in favor of the company.

- A committee's member shall be observe the same obligations of a BOD member, in terms of maintaining complete confidentiality of information and non-disclosure of the company's secrets.

Committees' Membership

- The number of members of each committee should not be less than three members, but not more than five members.

- Membership of each committee shall range from one year to three years, but should not exceed the remainder period of the BOD membership tenure.

- BOD shall appoint an alternative member is any committee membership becomes vacant.

- Each committee shall choose from amongst its members a chairperson in its first meeting, and it shall choose a rapporteur from amongst the company's staff. The following indicates a list of these committees:

First – Risks Management Committee

Objective:

Risks Management Committee shall aim to assist the BOD tackle its own responsibilities, by verifying the extent of its compliance with standards, as well as such effective implementation of the company's various policies, and spotting such weakness points while working on taking such corrective actions relevant thereto. This is shall also be pursued through analyzing the nature and volume of risks facing the company's activities to diminish the same to the least limit possible. It shall further ensure safety and integrity of financial report, aside from ensuring sufficient and effective internal audit systems adopted. It shall also work to manage risks facing the company, while setting such regulations required for works, to diminish them, and spotting potential risks with the company, acceptable percentages against such expected benefits, and escalating to the BOD such recommendations relevant thereto.

Formation:

Date of Formation: 1 June 2016

Tenure: Same as BOD tenure

Committee shall be constituted of three members from amongst the BOD's non-executive members, and further include an independent member.

NAME	POSITION
Mr. Meshaal Abdel Aziz Al-Nassar	Chariman – Non-Executive
Mr. Saud Abdel Aziz Al-Mansour	Member – Independent
Mr. Abdullah Mohamed Al-Mutair	Member – Non-Executive
Ms. Reem Fahad Al-Mashaan	Secretary

Meetings during 2016:

Date of Meeting	Meeting Number	Presents
02/06/2016	1/2016	4
09/06/2016	2/2016	4

Duties of Risks Management Committee:

1. To ensure the company's compliance with relevant laws and instructions;
2. To help the BOD determine and assess such risks level acceptable for the company, and further assess the systems and methods of determining, measuring and following up the various types of risks facing the company;
3. To discuss the framework of assessing the company's risks management, and further adopting the decisions relevant thereto;
4. To review and preliminary approve guides of policies and procedures applicable for risks management;
5. To tackle other responsibilities assigned to the committee by the BOD in conformity with such approved powers matrix.
6. To review such comments raised by the Auditing & Risks Committee of any effect on Risks Management adopted by the company.

Second – Auditing Committee

Objective:

Auditing Committee shall aim to help the BOD tackle its own responsibilities, by verifying the extent of its compliance with standards, as well as such effective implementation of the company's various policies, and spotting such weakness points while working on taking such corrective actions relevant thereto. This committee shall work on instilling the culture of compliance, consolidating effectiveness of performance inside the company through analysis and periodical reports to diminish the same to the least limit possible, and further ensure safety and integrity of financial report, aside from ensuring sufficient and effective internal audit systems adopted.

Formation:

Date of Formation: 1 June 2016

Tenure: Same as BOD tenure

Committee shall be constituted of three members from amongst the BOD's non-executive members, and further include an independent member.

NAME	POSITION
Mr. Abdullah Mohamed Al-Mutair	Chairman – Non-Executive
Mr. Saud Abdel Aziz Al-Mansour	Member – Independent
Mr. Feras Youssef Al-Ghanem	Member – Non-Executive
Ms. Reem Fahad Al-Mashaan	Secretary

Meetings during 2016:

Date of Meeting	Meeting Number	Presents
02/06/2016	1/2016	4
07/06/2016	2/2016	4
03/11/2016	3/2016	4
06/11/2016	4/2016	4

Duties of Auditing Committee:

1. To review such carried forward and annual financial statement, and get the same preliminarily approved prior to presenting the same to the BOD for final approval, aiming to ensure faire presentation and transparency of financial reports;
2. To ensure sufficiency and comprehensiveness of the third-party auditing scope, and further ensuring independence of the third-party auditor, while diminishing the factors weakening its independence, and ensuring coordination between the activities of third-party auditors;
3. To review and approve the annual plan for internal auditing;
4. To supervise over internal auditing works, and further review and approve the scope and rotation of auditing works;
5. To review supervisory bodies' reports, while verifying that necessary actions are taken;
6. To review reports of supervisory control authority, prior to presenting the same to the BOD for approval;
7. To review and preliminarily approve guides of policies and procedures for internal auditing department;

8. To ensure compliance with the company's relevant laws and instructions;
9. To nominate and appoint, relocate, dismiss, and replace an internal auditor, and further determine its remunerations, while ensuring the extent of its effectiveness in implementing works;
10. To recommend to the BOD the appointment or re-appointment of third-party auditors, or replacing them, while determining their remunerations;
11. To hold periodical meetings independently with the third-party auditor, and at least four times with the internal auditor, and when needed upon the committee's request;
12. To tackle other responsibilities assigned to the committee by the BOD in conformity with such approved powers matrix.

Third – Executive Committee:

Objective:

Executive Committee shall aim to help the BOD tackle its own responsibilities, and adopt well-informed and clear decisions in operational matters, in conformity with the overall strategy of the company, and properly fulfilling the company's objectives.

Formation:

Date of Formation: 1 June 2016

Tenure: Same as BOD tenure

Committee shall be constituted of three members from amongst the BOD's non-executive members, and further include an independent member.

NAME	POSITION
Mr. Abdullah Mohamed Al-Mutair	Chairman – Non-Executive
Mr. Saud Abdel Aziz Al-Mansour	Member – Independent
Mr. Nagy Abdullah Al-bdel Hadi	Member – Non-Executive
Mr. Ali Ahmad Shamsuddin	Secretary

Meetings during 2016:

Date of Meeting	Meeting Number	Presents
02/06/2016	1/2016	4

Duties of Executive Committee:

1. To approve such recommendations issued by the company's executive administration, in conformity with such powers matrix approved by the BOD;
2. To appraise investments and real estates of the company as part of the financial statements;
3. To review reports received from the company's representatives in BODs of affiliate and subsidiary company, and further adopt necessary reports relevant thereto;
4. To ensure application of overall strategy of the company, its effectiveness in achieving such desired objectives;
5. To approve investments within the limits of powers granted and approved by the BOD;
6. To carry out annual review of the committee's tasks and works, proposing changes, and escalating recommendations relevant thereto to the BOD;
7. To tackle other responsibilities assigned to the committee by the BOD in conformity with such approved powers matrix.

Fourth – Governance Committee:

Objective:

Governance Committee shall aim to ensure preparing, following up, and superintending the implementation of governance principles, as well as compliance with such instructions, regulations and laws issued by the various supervisory bodies in this regard. It shall further ensure suitability of such policies, regulations and procedures applicable by the company to such instructions, while taking such corrective and precautionary procedures and steps, when necessary, so to maintain balance and harmony amongst such powers the company's management is enjoying, and protecting shareholders' equities and stakeholders' interests to the best interest of the company.

Formation:

Date of Formation: 1 June 2016

Tenure: Same as BOD tenure

Committee shall be constituted of three members from amongst the BOD's non-executive members, and further include an independent member.

NAME	POSITION
Mr. Abdullah Mohamed Al-Mutair	Chairman – Non-Executive
Mr. Meshaal Abdel Aziz Al-Nassar	Member – Non-Executive
Mr. Saud Abdel Aziz Al-Mansour	Member – Independent
Ms. Reem Fahad Al-Meshaan	Secretary

Meetings during 2016:

Date of Meeting	Meeting Number	Presents
06/06/2016	1/2016	4

Duties of Governance Committee:

1. To review, amend and preliminarily approve the guide for governance, while ensuring its conformity with the requirements issued by the Capital Markets Authority and other supervisory bodies, prior to presenting the same to the BOD for final approval;

2. To control and supervise over the application of governance principles and frameworks, which have been set out by the BOD as per the Governance Guide;

3. To permanently review such decrees, laws and instructions issued by the supervisory bodies with regard to governance rules and practices, and further present recommendations to the BOD with regard to the changes it shall deem as fit for developing and applying new practices;

4. To constitute sub-committees and workgroups upon a decision by the Committee Chief solely, or by a group of committee members jointly, to perform certain tasks that would support and assist in applying the ultimate governance principles and framework, as well as raising awareness amongst the company's

staff of the significance, goals, and requirements of governance;

5. To supervise and ensure the application of governance principles in affiliate companies, and further present reports relevant thereto;

6. To present reports on the extent of sister companies compliance with the application of governance principles;

7. To inform the BOD with the latest developments, decrees and laws issued by the various supervisory bodies;

8. To review the report on the lawsuits initiated by or versus the company, verify the grounds therefor and current status thereof, and further present the recommendations relevant thereto;

9. To carry out annual review of the committee's system, propose changes, and present recommendation relevant thereto to the BOD;

10. To tackle other responsibilities assigned to the committee by the BOD in conformity with such approved powers matrix.

Fifth – Remunerations & Nominations Committee:

Objective:

Remunerations and Nominations Committee shall aim to ensure preparing, following up, and superintending the implementation of its supervisory duties, to ensure nominating such necessary cadres for BOD and administrative positions membership in the company. It is to ensure that the same shall be carried out in accordance with an institutional framework distinguished for efficiency and full transparency. This shall primarily nourish the interests of the company; hence, it shall fulfill the shareholders' objectives, in addition to such supervisory tasks to ensure integrity and validity of the policy of calculating remunerations and provisions adopted by the company, as relevant to the BOD members. It shall verify whether they are fair and contributing mainly to attracting human cadres of occupational efficiencies and high technical capabilities. Besides, it shall further instill principles of loyalty to the company. Committee shall present the recommendations to the BOD with regard to the nominations for BOD positions, and evaluate their performances. It shall also review such remunerations and benefits granted to the BOD members.

Formation:

Date of Formation: 1 June 2016

Tenure: Same as BOD tenure

Committee shall be constituted of three members from amongst the BOD's non-executive members, and further include an independent member.

NAME	POSITION
Mr. Nagy Abdullah Al-Abdel Hadi	Chairman – Non-Executive
Mr. Abdullah Mohamed Al-Mutair	Member – Non-Executive
Mr. Saud Abdel Aziz Al-Mansour	Member – Independent
Ms. Reem Fahad Al-Meshaan	Secretary

Meetings during 2016:

Date of Meeting	Meeting Number	Presents
02/06/2016	1/2016	4

Duties of Remunerations & Nominations Committee:

1. To draw clear policies with regard to compensations, insurance against risks of occupational liability of the BOD members, determine policies and standards relevant to measuring performance, and implementation thereof;
2. To set out and develop provisions and BOD members remunerations policy, in accordance with such applicable laws, and present recommendations to the BOD on such proposed remunerations, and subject to the ordinary general assembly approval;
3. To set out and develop the policy on provisions and remunerations of the BOD's Committees Members;
4. To supervise over setting the policies relevant to granting remunerations, promotions, increments, benefits, incentives and salaries of administration and employees;
5. To verify that such remunerations to be granted as per the company's policies, and review such policies regularly to assess the extent of their effectiveness for fulfilling the desired objectives, represented in attracting human cadres, and keeping employees of high efficiencies;
6. To approve the organizational structure and salaries of the company;
7. To tackle other responsibilities assigned to the committee by the BOD in conformity with such approved powers matrix;
8. To review the policy of nomination to BOD memberships and executive posts;

9. To review the training and development procedures relevant to the company staff.

General Framework for Assessment of BOD & Executive Administration Performance

The company has set out clear mechanisms for carrying out the annual assessment of the BOD members and executive administration, based on the self and comprehensive assessment concept by the members. Assessment shall be carried out by the Nominations & Remunerations Committee under the supervision of BOD. This type of assessment shall be based on several objective indicators objectively and neutrally measuring the overall performance. It shall help avoid mistakes and repairing defects preventing the implementation of governance correctly.

Mechanism for BOD Members Receiving Information & Data Accurately and Timely

KUWAIT REAL ESTATE HOLDING CO. set out the mechanisms and instruments enabling BOD members to receive the information and data required on timely basis. This shall take place via developing an intra IT environment, creating direct communication channels with the BOD's secretariat and BOD members, providing reports and subjects of discussion in meetings before sufficient time for discussion and adoption of relevant decisions.

THIRD RULE

Selecting Efficient People for BOD Membership and Executive Administration

3.1 Nominations for BOD Membership

BOD constituted the nominations and remunerations, which shall tackle receiving requests for nomination for BOD membership, and further present the recommendations relevant thereto.

3.2 Report on Remunerations Granted to the KUWAIT REAL ESTATE HOLDING CO. for 2016

Summary of the Company's Remunerations & Incentives Policy

Remunerations policy approved by the BOD of KUWAIT REAL ESTATE HOLDING CO. truly reflects the desire for maintaining efficiencies recruited by the company for the BOD and Executive Administration, as well as various sectors of the company. Classes of remunerations and incentives are distinguished for competitive advantage amongst the various experiences and skills available. In addition, there is one attraction element for joining the company for all efficient cadres within the market. This truly helped achieve the best outcomes of objectives and strategies that the BOD strives to implement on the long, medium, and short terms. Nominations & Remunerations Committee works according to such a policy, as it recommends such remunerations to be granted to the BOD members and Executive Administration, based on such procedures determined as per the Remunerations Policy, and standards of performance and success of the company in achieving objectives and volume of profits realized.

The Company's Remunerations Policy Implementation

Nominations & Remunerations Committee constituted by the BOD shall proceed with granting the remunerations applicable inside the company, beginning with performance assessment up to preparing final report on the total remunerations granted, provided the BOD shall bear full responsibility for taking final decisions with regard to approval of all incentives, increments, and remunerations. Also, the BOD shall proceed, via Nominations & Remunerations Committee, with periodical review of such a policy, and further follow up the extent of its effectiveness or need for making any amendments thereto.

Disclosure of Remunerations Granted

Nominations & Remunerations Committee shall prepare a detailed statement of remunerations granted totaling KWD 234.600/000 (only two hundred thirty-four thousand six hundred Kuwaiti dinars) for the year 2016, as per the following breakdown:

119.220/000 basic salaries (only one hundred nineteen thousand two hundred twenty Kuwaiti dinars)

115.380/000 EOSG and other benefits (only one hundred fifteen thousand three hundred eighty Kuwaiti dinars)

paid to members of the Executive Administration, including the general manager, deputy general manager for the administrative and personnel affairs, financial manager, and subsidiary company general manager.

Remuneration Report shall be read out before the annual general assembly to be held for the fiscal year ending as at 31 December 2016.

FOURTH RULE

Financial Statements Integrity Assurance

KUWAIT REAL ESTATE HOLDING CO. believes that integrity of financial statements is one of the most significant indicators for the company's integrity and fairness in presenting its financial position, which shall increase the investors' trust in such data and information made available by the company. Therefore, KUWAIT REAL ESTATE HOLDING CO. has set the mechanisms and procedures required for ensuring integrity of financial statements as indicated below:

4.1 Role of Auditing & Risks Management Committees in Reviewing Financial Statements

Auditing & Risks Management Committees shall review the interim and annual financial statements, and discuss the same prior to presenting them to the BOD.

Auditing Committee shall convene periodically with third-party auditors for discussing the accounting policies and annual financial statements.

4.2 Undertaking Fairness & Integrity of Financial Statements

Executive Administrative shall submit a written undertaking to the BOD of KUWAIT REAL ESTATE HOLDING CO. on the fairness and integrity of financial statements of the company. It shall cover all financial aspects of operational data and results. They shall be prepared in accordance with the International Financial Reporting Standards (IFRS). BOD shall further undertake to the shareholders of fairness and integrity of financial statements and reports relevant to the company's activities (copy attached).

Auditing Committee shall, based on the powers granted thereto by the BOD, review all information, statements, reports, registers, and correspondences relevant to the company's activities, or managing risks, and other issues the committee shall deem as significant to be reviewed. BOD shall guarantee full independence to the committee and its members.

4.3 Independence & Neutrality of Third-Party Auditor

Ordinary General Assembly, held on 30/05/2016, agreed to appoint a third-party auditor (BDO Al-Nesf & Partners Office – Qais Mohamed Al-Nesf), and a third-party auditor (Al-Atiqi Chartered Accountants – Barrak Abdel Mohsen Al-Atiqi), both of whom are duly registered auditors with the Capital Markets Authority, who shall be fully independent from the company and its BOD. They shall act as auditors for the company's accounts for the fiscal year ending as at 31/12/2016.

Kuwait on 30/03/2017

Declaration & Undertaking of Financial Statements Fairness & Integrity

We, the BOD chairperson and members of KUWAIT REAL ESTATE HOLDING CO., hereby declare and undertake accuracy and fairness of financial statements provided by the third-party auditor, and that the financial statements have been correctly and fairly presented in accordance with the International Accounting Standards applicable within the State of Kuwait, and approved by the Authority. We deem that the same reflects the financial position of the company as at 31 December 2016, based on the information and reports we received from the executive administration and auditors, upon due diligence for verifying the fairness and accuracy of these reports.

NAME	POSITION	SIGNATURE
Mohamed Burrak Al-Mutair	**Chairman**	
Nagy Abdullah Al-Abd Al-Hadi	**Vice Chariman**	
Abdullah Mohamed Al-Mutair	**BOD Member**	
Meshaal Abdel Aziz Al-Nassar	**BOD Member**	
Feras Youssef Al-Ghanem	**BOD Member**	
Saud Abdel Aziz Al-Mansour	**BOD Member**	

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العقارية

FIFTH RULE

Setting Proper Systems for Risks Management & Internal Audit

5.1 Risks Management

KUWAIT REAL ESTATE HOLDING CO. set out the risks management that best protect the company against such potential risks of various types, and determine such acceptable level of risks. This shall take place through establishing a set of sufficient internal controls suitable for the company's activities and nature of business. The law applicable to the management is independent as they directly affiliated to the BOD.

5.2 Internal Assurance & Control Systems

KUWAIT REAL ESTATE HOLDING CO. approves a set of supervisory control rules and systems covering all the activities of the company and its management. These systems and rules shall maintain integrity of the financial position of the company, its statements, as well as efficiency of its operations from all perspectives. The organizational structure of the company shall reflect such double controls, including sound determination of authorities and responsibilities, full separation between tasks, no conflict of interests, inspection, double controls, and joint signing powers.

BOD of the company commissions an independent consultancy office to carry out internal control and auditing activities of the various groups and departments of KUWAIT REAL ESTATE HOLDING CO. This office shall act as a consultancy office affiliated to the Auditing Committee directly reporting to the BOD. This office shall periodically review and assess the internal auditing systems applicable by the company. Thus, Auditing Committee shall review activities of the auditing office, and shall discuss its reports prior to presenting the same to the BOD.

The offer presented by the Independent Auditing Office for preparing the Internal Control Report on annual basis, as per the requirements of the Capital Markets Authority.

SIXTH RULE

Promoting Professional Conduct & Ethical Values

6.1 Occupational & Ethical Behaviors Standards & Determiners

The company, represented in its BOD and all staff, believes that the occupational and ethical behavior is one of the most significant elements for success of the company in achieving its objectives. Motivated by this belief, BOD shall approve a policy on determining the occupational and ethical behavior standards, including the occupational and ethical behavior standards, as well as such responsibilities of the company, BOD and personnel. The company set a mechanism allowing staff and stakeholders to report any unsound or suspicious practices, while setting such proper arrangements allowing conducting an independent investigation.

6.2 Company's Policies and Procedures for Controlling Conflict of Interests

As part of the corporate governance, the company set a guide of policies for conflict of interests, including such necessary methodologies and procedures adopted for alleviation and management thereof, ,as well as fulfilling these requirements and prohibiting such behaviors by the BOD members and executive administration, differentiating between personal interests and their official duties towards the company.

The objective of these policies shall be to help the company, including its direct or indirect subsidiaries, determine the dissemination of regulatory value of the company, proper management methodologies of actual and potential case of conflict of interests. These policies and procedures shall apply to all staff of the company, its suppliers, officers, and BOD members.

SEVENTH RULE

Accurate & Timely Disclosure & Transparency

7.1 Disclosure & Transparency Policy

The company adopts open, transparent, trustworthy and cooperative policies, and further achieve the company's deeply-rooted principles, to the best implementation of rational governance practices, observing full compliance with all legal requirements. The company approved a special policy on disclosure and transparency clearly containing such general disclosure rules, procedures and mechanism. It showed the responsibility of the company's compliance department for the disclosure operations department, and further verification of information to be disclosed on timely and comprehensively basis in accordance with the instructions set by the Capital Markets Authority, as well as such applicable laws and regulations. It further confirmed the policy on dissemination of information on the company's website.

The company complies with the instructions of the procedures for disclosure of essential information, mechanism of advertising the same, which also fulfills such legal and ethical requirements of the company. The company further cares for ensuring timely disclosure of essential information on the company's business, including the financial position and management performance, to the concerned authorities, which shall understand the company's strategy and practices for facilitation of its performance.

7.2 Disclosure Register

The company shall keep a special register of disclosures of the BOD members, where it shall include a special register for the disclosures at ratios of ownership and trading of the company's shares, in addition to such declarations and undertakings submitted by the BOD members as being well-informed parties. This register shall be kept at the company's head office, to be made available for review by the company's shareholders free of charge, and should be periodically updated to reflect the true position of stakeholders.

7.3 Investors' Affairs

The company complied with setting policies and procedures fairly representing the company, where current and potential investors shall be well-informed of the investment decisions. Investors' Affairs Division shall enjoy such required independence, where it shall work on providing information, data and reports on timely and accurately basis via such recognized means of disclosure.

7.4 IT Infrastructure of Disclosure Operations

The company updated its online website, and allocated a special section for corporate governance. KUWAIT REAL ESTATE HOLDING CO. provide through its online website all information about the company, its subsidiaries and sister companies, as well as its projects locally and abroad. It further provided the various financial and non-financial data and information, as well as other information, keeping the same up-to-date.

EIGHTH RULE

Respect for Shareholders' Rights

8.1 Respect for General Rights of Shareholders and Encouraging them to Vote in General Assembly Meetings

As per the company's guide of policies on protecting rights of stakeholders and shareholders, all shareholders of the company have well-defined general rights including registration of the value of the shares they own into the accounting books. Also, transactions of registration, transfer and alienation of shares, receiving profits dividends, receiving portion of the company's assets upon liquidation thereof, receiving information and data on the company's activities, operational and investment strategies on timely basis, as well as participating in the shareholders' general assembly meetings and voting on their decisions, electing BOD members, supervising over the company's performance in general, and the BOD's performance in particular, holding the BOD and executive administration accountable, and filing accountability lawsuits in case they shall neglect performing their functional tasks assigned thereto.

8.2 Observing Accuracy and Ongoing Follow-up of Shareholders' Information

The company created a special register kept with the Kuwait Clearing Company, wherein shareholders' names, nationalities, domiciles, number of shares owned thereto. Entries shall be recorded into this register of any changes made to the information recorded thereunder, as shall be reported to the company or the Kuwait Clearing Company. Each stakeholder shall request from the company, or the Kuwait Clearing Company, extracts of information from this register.

NINTH RULE

Realization of Stakeholders' Role

9.1 Company's General Assembly Meeting

KUWAIT REAL ESTATE HOLDING CO. cares for organizing the shareholders' general assembly meetings in accordance with the corporate governance rules, as well as such laws and regulations governing thereof, where agenda points shall at least include the items stipulated as per such rules. Shareholders shall be furnished with the agenda points and information sufficiently prior to the scheduled date of the meeting. Shareholders shall be granted active participation in the general assembly meetings and discussing agenda points included. The company also cares for having all shareholders practicing the right to voting without any impediments.

9.2 Rights of Stakeholders

KUWAIT REAL ESTATE HOLDING CO. prepared such policies and procedures guaranteeing protection of the rights of stakeholders, which shall allow them receiving legal compensations in case their rights shall be violated, subject to the stipulations of the corporate governance rules. Such policies also draw the company's need for maintaining positive business relations, whistleblowing, as well as receiving complaints and attending thereto.

The company also cares through several procedures to boost contributions and participations of stakeholders in the company's activities, including dissemination of all relevant information amongst stakeholders accurately and timely, keeping in mind the interests of those stakeholders upon making any important decisions. Stakeholders shall also have the opportunity to submit their remarks about their experience of dealing with the company.

9.3 Institutional Values amongst the Company's Personnel

As per the occupational and ethical behavior guide, the company set out the basic principles based on which the company's policy defines such institutional values based on the fact that the company's reputation is based on the behavior shown by its BOD members and personnel. All parties should play a role in maintaining the company's goodwill through complying with the highest ethical standards. BOD shall bear responsibility for setting the company's ethical values specifications and standards. Each BOD member and auxiliary personnel should implement this guide as part of its ethical role and responsibility, while whistleblowing to the BOD of any violation.

Company's Management also prepared the (Employee's Guide) guided in this regard by the Civil Labor Sector Law applicable in the State of Kuwait. This booklet has been circulated amongst all staff of the company, where it contains the guidelines and procedures adopted by KUWAIT REAL ESTATE HOLDING CO. with the aim to give a clear description of the employee's rights and duties; thus, consolidating the vital and principal role of the employee for providing the best quality services.

TENTH RULE

Performance Promotion & Improvement

10.1 Training BOD Members

The company contracted with one of the consultancy companies specialized in governance, and briefing workshops are held throughout the year for BOD members on their compliance with the companies act, instructions of corporate governance, and mechanism for applying governance.

10.2 Assessment of BOD Performance

The company prepared the regulations and mechanisms of evaluating the BOD members through setting a group of indicators for objective performance measurement in connection with the scope of realization of the company's strategic objectives.

10.3 BOD Efforts for Setting Institutional Values for the Company's Personnel

As per the occupational and ethical behavior guide, the company set out the basic principles based on which the company's policy defines such institutional values based on the fact that the company's reputation is based on the behavior shown by the members of the BOD, executive administration, and personnel.

All parties should play a role in maintaining the company's goodwill through complying with the highest ethical standards. BOD shall bear responsibility for setting the company's ethical values specifications and standards. All should assist in implementing this guide as part of their ethical role and responsibility, while whistleblowing to the BOD of any violation thereof.

Company's Management also prepared the (Employee's Guide) guided in this regard by the Civil Labor Sector Law applicable in the State of Kuwait, aiming to consolidate the vital and principal role of the employee for providing the best quality services.

ELEVENTH RULE

Focusing on the Importance of Corporate Social Responsibility

The company pays due and ongoing care to its corporate social responsibility through social behaviors aiming to achieve sustainable development of society in general, and its staff in particular. This shall be achieved through such initiatives aiming to improve the living conditions of staff, their families and society, while working on diminishing rates of unemployment and limiting waste of environmental resources.

The company aims to promote the concept of administration by adding contribution to solving social and environmental problems as part of its operations and relations with stakeholders. CSR shall pave the way before the company to achieve balance between economic, environmental and social needs, while at the meantime it shall fulfill expectations of the shareholders and stakeholders in confronting the society's problems, and contributing to solving the same. Henceforth, it shall improve the company's reputation and promote its trademark.

The company also contracted with a company specialized in natural plants to protect environment as well as health and safety of staff inside the company's head office, in addition to providing health and life insurances.

Copies of this report shall be made available "after being approved" by the shareholders at the head office of the company and its online website, as well as other copies to be provided to the shareholders during the general assembly meeting.

Kuwait on 30/03/2017

C/O: Shareholders of KUWAIT REAL ESTATE HOLDING CO. (K.S.C.P)

Report of Auditing Committee on the Fiscal Year Ending as at 31 December 2016

Greetings,

Having an Auditing Committee in place is one of the main features indicative for implementing rational governance rules. Effectiveness of the committee is directly connected with the BOD's effectiveness, as the Auditing Committee shall perform its duties subject to such powers and responsibilities granted thereto by the BOD, in connection with supervising over the company's financial statements, accounting principles, internal and external auditing, issues relevant to internal control, as well as coordination with third-party auditors.

Committee performed its duties during the fiscal year ending as on 31 December 2016, including – for example, but not limited to – the following:

1. To review financial statements prior to presenting the same to the BOD, expressing opinion and recommendations relevant thereto to the BOD, aiming to ensure fair presentation and transparency of financial reports;

2. To prepare and review strategies and policies of risks management prior to approval thereof by the BOD, and further ensuring that these strategies and policies are suitable for the nature and volume of the company's businesses;

3. To recommend the appointment of third-party auditors for carrying out internal auditing activities;

4. To review and approve the proposed auditing plan with the internal auditor;

5. To ensure the company's compliance with relevant laws, policies, regulations and instructions.

Finally, we would like to indicate that members of the Auditing Committee shall give priority to proceeding with such tasks assigned to us properly.

Head of Auditing Committee

Name: Saud Abdel Aziz Al-Mansour

Signature:

للاستشارات المالية الإسلامية

MANDR
DATE: 13/02/2017

The Sharia Report of KUWAIT REAL ESTATE HOLDING CO.
Fatwa and Shariah Supervisory Board
For the period from 01/01/2016 to 31/12/2016

To: The Shareholders of Kuwait Real Estate Holding Company.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2016 to 31/12/2016. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2016 to 31/12/2016. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Prof /Abdul Aziz k. Al-Qassar
Chairman of the Sharia Committee

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

Tel: +965 22960555 - Fax: +965 22960556 - Al Mirqab - Al Sour Street - Jassem Al Asfour Tower - 7th Floor. info@mandr.com.kw www.mandr.com.kw

Independent auditors' report and consolidated financial statements

for the year ended 31 December 2016

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Kuwait Real Estate Holding Company K.P.S.C. (Holding) And its Subsidiaries State of Kuwait

Report on the Audit of the Consolidated Financial Statements.

Opinion

We have audited the consolidated financial statements of Kuwait Real Estate Holding Company K.P.S.C. (Holding) ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated income and other comprehensive income, consolidated changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the key audit matters as follows:

Valuation of unquoted investments available for sale

Unquoted investments available for sale were measured at fair value using market information and significant unobservable inputs. Such investments amount KD 11,070,850 classified under level 2, and represent a percentage of 31.86% of the total consolidated assets of the Group.

Valuation of unquoted investments is a significant matter for our audit, as their nature and fair value are substantially based on estimates that depend on judgmental assumptions. Method of net carrying value was used to estimate fair value of such investments as at date of the financial statements.

How our audit addressed such matters

Our performed audit procedures included, among other procedures, the following:

1- Our audit focused on carrying out audit procedures to assess valuation methods used in valuation by management.

2- Our firm specialists were used to carry out valuation of methods and models used by management to arrive at investments fair value.

3- We evaluated the appropriateness of disclosures on such investments recorded in the consolidated financial statements to achieve disclosure requirements required by IFRS.

Investment properties

Valuation of investment properties is one of the key audit matters as it includes significant opinions and judgments. It represents a major part in total assets of the Group, where their value is KD 10,602,180 and represents 30.51% of the total consolidated assets, which substantially depends on estimates. Therefore, we considered valuation of investment properties as a key matter.

The Group's applied policy is to recognize investment properties at fair value determined based on independent valuers, one of them is a local bank for local properties and independent valuers for properties outside the State of Kuwait and the lower value was adopted to determine the fair value as at 31 December 2016. Fair value of the Group's investment properties was reached to as at 31 December 2016 based on the valuation done on that date by independent valuers who are not related to the Group. Those valuers are licensed by the official bodies and they have qualifications and latest experience in valuation of properties at these locations. Fair value of investment properties is determined based on comparable market prices which reflect prices of recent transactions for similar real estates and method of net discounted cash flows model resulted from acquisition of such investments. To estimate the value of such real estates, it has been supposed that the current usage for the real estates is the best usage for the same.

We reviewed valuation reports made by the licensed independent valuers. We focused on disclosure adequacy of valuation of investments in real estate portfolios. The disclosures related to this item are presented in notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the board of directors report (except the consolidated financial statements and our audit report thereon) and Group's annual report. The annual report is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information, we do not, and will not, express any conclusion in any way to confirm the same.

Our responsibility, with regard to our audit of the consolidated financial statements, is limited to reading the other information and, in doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be significantly misstated. If we concluded existence of significant errors in the other information received by us before date of the auditors' report, based on our carried out works, then we are required to report the same. We do not record something in this regard.

Responsibilities of Management and Persons Responsible for Governance for the Consolidated Financial Statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The management is also responsible for the internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, parent company's management shall be responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Persons responsible for governance are responsible for overseeing the process of preparing the Group's consolidated financial reports.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including

the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidences on the financial information of the entities or commercial activities inside the Group to express an opinion on the consolidated financial statements. We are responsible for expressing guidelines and supervise and perform the audit process for the group, and we are responsible for the audit opinion only.

We communicate with the persons responsible for governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide persons responsible for governance with a statement indicates our commitment to related ethical requirements with regard to independence. Further, we notify them of all relationships and other matters that we reasonably believe it is possible to affect our independence, as well as related measures, whenever appropriate.

Through the matters handled with persons responsible for governance, we determined such matters that had significant importance in auditing the financial statements for the current period, and related key audit matters. We disclose these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be disclosed in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such disclosure.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate the information that is required by the Companies' Law No. 1 of 2016, and its Executive Regulations, and by the Parent Company's Articles and Memorandum of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, or of the Parent Company's Articles and Memorandum of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business or the consolidated financial position of the Group.

We further report that, during the course of our audit, we have not become aware of material violations, during the year ended 31 December 2016, of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations and Law No. 7 of 2010 on establishment of Capital Markets Authority and the regulation of activity of securities and its executive regulations.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 30 March 2017

Barrak Al-Ateeqi
License No. 69 "A"
Al-Ateeqi Certified Accountants
Member firm of B.K.R. International

A member of BKR INTERNATIONAL

Report on Dealings with Relevant Parties

Dear Noble Shareholders,

Peace, mercy and blessings of Allah,

On behalf of my colleagues, board members, I would like to welcome you and I have the honor to present a report on the dealings with relevant parties for the fiscal year ended on 31st December 2016.

In general, the dealings among relevant parties are considered to be a familiar form in the business of works and which are usually represented in the dealings of the holding company with the associate companies, the main shareholders, the board members, the high management staff and the companies controlled by it for managing some activities of the company or joint ventures and which result in financial dealings (expenses and services) among the parties.

Dear Shareholders,

With regard to the Holding Real-estate Co. and whereas the dealings with relevant parties include associate companies, the main shareholders, the board members and the high management staff and the dealings are managed through the management and the general manager, who presides the administrative staff in the company and his decisions are certified and approved by the board of directors for all conditions and procedures of such dealings.

The most important dealings with relevant parties as it is on 31st December 2016 are represented in the following:

A Statement of Dealings with Relevant Parties As It Is On 31st December 2016			
Statement	**Kuwaiti Dinar**	**Relationship**	**Nature of Account**
Kuwait Investment Co.	1,575,000	A main shareholder in the parent company	Management of investment portfolios and sellable investments
Kuwait Investment Co.	2,173,500	A main shareholder in the parent company	Management of investment portfolios and investments at the fair value
The general manager of the parent company The deputy general manager for administrative and personnel affairs The general manager of the subsidiary	234,600	Group High Management	Privileges and Salaries of High Management
Kuwait Investment Co.	1,926	A main shareholder in the parent company	Investment portfolios management fees
Kuwait Investment Co.	96,425	A main shareholder in the parent company	Al-Manakh market Building Management Fees

With regard to the future expected dealings with the relevant parties and as per our assessment, we do not expect essential developments in light of the current situation and they will not exceed the financial and administrative dealings for the management of investments and the financial dealings and administrative consultations resulting from them without concluding any new agreements during the fiscal year.

Bro. Noble Shareholders,

At the end, I would like to thank Allah to the goodness, success and facilitation given to us and I would like to seize the change to extend thanks to the board members and to express my thanking and appreciation to the shareholders of the Kuwaiti Real-estate Holding Co. for the dear confidence praying to Allah to keep our safety and unity under the umbrella of His Highness Sheikh Jaber Al-Ahmed Al-Jaber Al-Sabah, the Amir of the state, May Allah Keep him and Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah, his sincere crown prince, May Allah keep him.

Peace, mercy and blessings of Allah be upon you,

Mohammed Barrak Al-Mutair

Chairman

KRH العقارية AL AQARIA

Financial Reports
for the year ended 31 December 2016

Consolidated Statement of Financial Position
As at 31 December 2016

		2016	2015
Assets	Notes	KD	KD
Non-current assets			
Investment Properties	5	10,602,180	9,714,801
Investment in an associate	6	-	461,982
Available for sale investments	7	15,395,318	14,453,206
		25,997,498	24,629,989
Current assets			
Investment property for trading	8	2,130,000	2,880,000
Receivables and other debit balances	9	889,549	392,136
Investments at fair value through statement of income	10	2,123,461	1,710,927
Cash and cash equivalents	11	3,414,256	3,635,096
		8,557,266	8,618,159
Assets held for sale	12	190,307	455,668
Total assets		34,745,071	33,703,816
Equity and liabilities			
Equity			
Share capital	13	19,103,898	19,103,898
Share premium	14	830,286	830,286
Statutory reserve	15	1,452,034	1,452,034
Treasury shares	17	(1,452,034)	(1,452,034)
Profits on sale of treasury shares reserve		46,038	46,038
Change in fair value reserve		2,125,766	1,197,310
Accumulated losses		(12,319,933)	(12,397,071)
Equity attributable to owners of the Parent Company		9,786,055	8,780,461
Non-controlling interests		1,924,972	1,880,607
Total Equity		11,711,027	10,661,068
Liabilities			
Non-current liabilities			
Long-term Murabaha payables	21	12,780,000	12,780,000
Purchase of land payables	18	2,329,424	2,329,424
Provision for employees' end of service indemnity	19	693,830	639,569
		15,803,254	15,748,993
Current liabilities			
Payables and other credit balances	20	1,518,798	1,581,763
Short-term Murabaha payables	21	5,711,992	5,711,992
		7,230,790	7,293,755
Total liabilities		23,034,044	23,042,748
Total equity and liabilities		34,745,071	33,703,816

The accompanying notes on pages 24 to 64 form an integral part of these consolidated financial statements.

Mohammad Barrak Al-Mutair
Chairman

Consolidated Statement of Income
For the year ended 31 December 2016

	Notes	2016 KD	2015 KD
Income / loss			
Net lease income	23	263,760	251,409
Net profits from management and maintenance of third party properties	24	96,678	96,735
Net (loss) / profits from supervision contracts		(1,682)	779
Unrealized Gain on IAFVTSOI		412,534	75,840
Gain on sale of available for sale investments		14,000	150,418
Impairment loss of assets held for sale	12	(268,910)	-
Dividends		312,984	410,383
Change in fair value of investment properties	5	137,379	185,000
Profit on sale of an associate	6	11,424	-
Group's share of an associate's business results		-	6,398
Operating Income		978,167	1,176,962
Impairment loss on available for sale investments		-	(39,000)
Net operating profit		978,167	1,137,962
Net revenue from financial institutions		14,445	13,601
Other revenues		2,109	21,673
Foreign currency translation differences		(887)	(14,556)
Total revenues		993,834	1,158,680
Expenses			
General & administrative expenses	25	(951,247)	(980,376)
Net profit for the year		42,587	178,304
Attributable to:			
Owners of the Parent Company		77,138	171,676
Non-controlling interests		(34,551)	6,628
		42,587	178,304
Basic earnings per share (fils)	26	0.41	0.91

The accompanying notes on pages 52 to 92 form an integral part of these consolidated financial statements.

Consolidated statement of income and other comprehensive income
For the year ended 31 December 2016

	2016	2015
	KD	KD
Net profit for the year	42,587	178,304
Other comprehensive income		
Items that may be reclassified subsequently in the consolidated statement of income:		
Unrealized profit from value of available for sale investments	1,021,372	113,946
Transferred to consolidated statement of income from sale of available for sale investments	(14,000)	(150,418)
Transferred to consolidated statement of income from impairment loss of available for sale investments	-	39,000
Total other comprehensive income for the year	1,007,372	2,528
Total comprehensive income for the year	1,049,959	180,832
Attributable to:		
Owners of the Parent Company	1,005,594	159,871
Non-controlling interests	44,365	20,961
	1,049,959	180,832

The accompanying notes on pages 52 to 92 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Share capital KD	Share Premium KD	Statutory reserve KD	Treasury shares KD	Reserve of profit on sale Treasury shares KD	Change in fair value reserve KD	Accumulated losses KD	Equity attributable to owners of the Parent Company KD	Non-controlling interests KD	Total Equity KD
Balance as at 1 January 2015	19,103,898	830,286	1,452,034	(1,452,034)	46,038	1,209,115	(12,568,747)	8,620,590	1,859,646	10,480,236
Total other comprehensive (losses)/ income	-	-	-	-	-	(11,805)	171,676	159,871	20,961	180,832
Balance as at 31 December 2015	19,103,898	830,286	1,452,034	(1,452,034)	46,038	1,197,310	(12,397,071)	8,780,461	1,880,607	10,661,068
Balance as at 1 January 2016	19,103,898	830,286	1,452,034	(1,452,034)	46,038	1,197,310	(12,397,071)	8,780,461	1,880,607	10,661,068
Total comprehensive income for the year	-	-	-	-	-	928,456	77,138	1,005,594	44,365	1,049,959
Balance as at 31 December 2016	19,103,898	830,286	1,452,034	(1,452,034)	46,038	2,125,766	(12,319,933)	9,786,055	1,924,972	11,711,027

The accompanying notes on pages 52 to 92 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2016

	Note	2016 KD	2015 KD
Operating activities			
Net profit for the year		42,587	178,304
Adjustment for:			
Unrealized Gain on IAFVTSOI		(412,534)	(75,840)
Group's share of an associate results		-	(6,398)
Gain on sale of available for sale investments		(14,000)	(150,418)
Impairment loss of assets held for sale		268,910	-
Impairment loss of available for sale investments		-	39,000
Change in fair value of investment properties		(137,379)	(185,000)
Other revenues for subsidiary settlement		-	(19,790)
Dividends		(312,984)	(410,383)
Profit on sale of an associate	6	(11,424)	-
Provision for employees' end of service indemnity	19	89,695	94,972
		(487,129)	(535,553)
Movements in the working capital:			
Receivables and other debit balances		(497,413)	215,981
Assets held for sale		(3,549)	(7,504)
Payables and other credit balances		(62,965)	60,590
Cash used in operating activities		(1,051,056)	(266,486)
Employees' end of service indemnity, paid	19	(35,434)	(931)
Net cash used in operating activities		(1,086,490)	(267,417)
Investing activities			
Proceeds from sale of an associate		473,406	-
Net movement in available for sale investments		79,260	93,730
Cash dividend received		312,984	410,383
Net cash from investment activities		865,650	504,113
Financing activities			
Murabaha payables		-	(36,509)
Net cash used in financing activities		-	(36,509)
Net (decrease) / increase in cash and cash equivalents		(220,840)	200,187
Cash and cash equivalents at beginning of the year		3,635,096	3,434,909
Cash and cash equivalents at end of the year	11	3,414,256	3,635,096

The accompanying notes on pages 52 to 92 form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Real Estate Holding Company K.P.S.C. (Holding) ("the Parent Company") is a closed Kuwaiti shareholding company incorporated on 19 January 1980 in accordance with the Companies Law in the State of Kuwait. The Company's share was listed on the Kuwait Stock Exchange on 12 April 2005. Latest amendment to articles of association of the company is dated 11 May 2015, the amendment was made to regularize the company's affairs with provisions of companies law. This was registered in the commercial register under No. 338 on that date.

The Parent Company's objectives:

- Owning shares of Kuwaiti or foreign shareholding companies and also owning shares in Kuwaiti or foreign limited liability companies or participation in founding both types of companies as well as managing them, lending them and offering guarantees on their behalf.
- Grant loans to the companies in which the Company holds shares, guarantees them before third parties and in this case the contributions ratio of the Parent Company in the capital of the investee companies shall not be less than 20% minimum.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Owning movable and immovable properties necessary for the commencement of its activities permitted by law.
- Utilization of the financial surpluses available with the Parent Company through investing the same in financial portfolios managed by specialized companies and entities.

The Parent Company shall, in conducting its business activities, comply with Noble Islamic Sharia principles.

The Group comprises the parent company and its subsidiaries (together referred to as "the Group"). Details of subsidiary companies are set out in Note (3.4).

The Companies' Law was issued on 24 January 2016 by Decree Law No. 1 of 2016, which was published in the official gazette on 1 February 2016, and cancelled Decree Companies Law No. 25 of 2012, as amended. This Law shall be applicable retrospectively as of 26 November 2012.

Executive regulations of law No. 1 of 2016 was issued on 12 July 2016 and was published in the official gazette of Kuwait Al Yawm on 17 July 2016 and became effective immediately from its publication date. The Parent Company shall regularize its affairs (in case deemed necessary) in accordance with provisions of the executive regulations of law No. 1 of 2016 within a period of six months from its publication date.

The address of the Parent Company is P.O. Box 26371, Safat 13124, State of Kuwait.

The consolidated financial statements of Kuwait Real Estate Holding Company K.S.C (Holding) and its subsidiaries (the Group) for the year ended 31 December 2016 were authorized for issue by the Parent Company's board of directors on 30 March 2017 and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders' of the Parent Company have the power to amend these consolidated financial statements at the Annual General Assembly.

2. Adoption of new and revised International Financial Reporting Standards ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2016

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards:

IFRS 14 – Regulatory Deferral Accounts

This standard, effective for an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous accounting standards, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. Since the group is an existing IFRS preparer, this standard would not apply

Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business requiring the acquirer to apply all the principles on business combinations accounting in IFRS 3 and other IFRSs. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact on the Group.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 clarify that the determination of the accumulated depreciation or amortisation under the revaluation method does not depend on the selection of the valuation technique. They also clarify that the accumulated depreciation or amortisation is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortisation method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortisation is not proportionate to the change in the gross carrying amount of the asset. These amendments are not expected to have any material impact on the Group.

Amendments to IAS 27 – Equity method in separate financial statements

The amendment, effective for annual periods beginning on or after 1 January 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments are not expected to have any material impact on the Group.

2. Adoption of new and revised International Financial Reporting Standards ("IFRSs") (cont.)

a) New standards, interpretations and amendments effective from 1 January 2016 (cont.)

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 require that bearer plants (a subset of biological assets used solely to grow produce over several periods) should be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing, unlike all other biological assets related to agricultural activity which are measured at fair value less cost to sell. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41, and the produce growing on bearer plants will remain within the scope of IAS 41. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Annual Improvements to IFRSs 2012-2014 Cycle:

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

Amendments to IFRS 5 – Non Current Assets Held for Sale and Discounted Operations

When an asset (or disposal Group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

Amendments to IFRS 7 – Financial Instruments: Disclosures

Specific guidelines on transferred financial assets were recognized to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, consequently, whether or not the asset qualifies for derecognition. Additional disclosures relating to the offsetting of financial assets and financial liabilities need to be included only in interim reports if required by IAS 34.

Amendments to IAS 19 Employee benefits

When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

Amendments to IAS 34 – Interim Financial Reporting

What is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

Amendments to IAS 1 Disclosure Initiative

The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify some judgments used in the presentation of the financial reports. The amendments make changes about:

2. Adoption of new and revised International Financial Reporting Standards ("IFRSs") (cont.)

a) New standards, interpretations and amendments effective from 1 January 2016 (cont.)

- Materiality, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- Statement of financial position and statement of profit or loss and other comprehensive income, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income of equity accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

These amendments are not expected to have any material impact on the Group.

Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception

The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 confirm that the exemption from preparing consolidated financial statements under IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its subsidiaries at fair value in accordance with IFRS 10. However, the subsidiary shall be consolidated if it provides investment-related services or activities to the investment entity. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose are to provide services and activities that are related to the investment activities of the investment entity parent. All other subsidiaries of an investment entity should be measured at fair value.

Consequential amendments have been made to IAS 28 to confirm that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity, even if the investment entity parent measures all its subsidiaries at fair value. IAS 28 has been also amended to permit an entity to retain the fair value measurement applied by an associate or joint venture that is an investment entity to its interests in subsidiaries rather than applying uniform accounting policies.

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities. These amendments are not expected to have any material impact on the Group.

2. Adoption of new and revised International Financial Reporting Standards ("IFRSs") (cont.)

b) Standards and interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 Financial Instruments

The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and recognition of financial instruments from IAS 39.

The Directors of the Company anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

IFRS 15 – Revenue from contract with customers

The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the following existing standard and interpretation upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue – Barter Transactions Involving Advertising Services.

The Group/ Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16: Leases

This standard becomes effective for annual periods beginning on or after 1 January 2019. This standard replaces IAS 17 "lease" as it requires tenants to recognize all leases in the balance sheet in a similar way to finance leases as per IAS 17 with limited exceptions for impaired assets and short term leases. As at the date of commencement of the lease, the tenant will acknowledge commitment of paying the lease payments, and a principal amount represents the right to use the concerned principal during lease period.

These amendments are not expected to have any material impact to the Group.

2. Adoption of new and revised International Financial Reporting Standards ("IFRSs") (cont.)

b) Standards and interpretations issued but not effective (cont.)

Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses

The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that any entity needs to look into whether the tax law limits sources of the taxable profits in return for deducting the amendment resulting from temporary tax differences. Further, the amendments provide guidelines on the way that the entity shall determine the future taxable profits, and explanation of circumstances where the taxable profit may contain redemption of some assets at more than their carrying value.

These amendments are not expected to have any material impact on the Group.

Amendments to IAS 7: Disclosure Initiative

The amendment to this standard, which is effective prospectively for annual periods beginning on or after 1 January 2017, requires the entity to provide disclosures to enable users of the financial statements to assess the changes in liabilities resulted from financing activities, including the changes resulted from cash flows and non-cash changes. Early application of this amendment is permitted.

These amendments are not expected to have any material impact on the Group.

Amendments to IFRS 2: Classification and measurement of share-based payment transactions.

This amendment becomes effective for annual periods beginning on or after 1 January 2018. These amendments address three main aspects as follows:

Impact of vesting conditions on cash settlements for share-based payment transactions.

- Classification of share-based payment transactions with features of settlement (net) for deducted tax commitments.
- Accounting, whereas amendment of items and conditions of share-based payment transactions changes its classification from cash settlement to equity settlement.

These amendments are not expected to have any material impact on the Group.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Companies' Law No. 1 of 2016 and its Executive Regulations.

3.2 Basis of preparation

These financial statements are presented in Kuwaiti Dinars ("KD"), which is the Group's functional and presentation currency, and are prepared under the historical cost convention, except for fair value measurement of available for sale investments, investment at fair value through statement of income and investment properties.

The preparation of financial statements in compliance with adopted ("IFRSs") requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 4.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the year's presented, unless otherwise stated.

3.3 Classification of assets and liabilities to current and non-current

The Group presents the assets and liabilities in the consolidated statement of financial position based on their classification to current and non-current.

The asset shall be deemed as current if:

a) Expected to be recognized, intended to be sold, or depreciated within the normal operational cycle.

b) Held primarily for the purpose of trading;

c) Expected to be recognized within twelve months following the reporting date, or

d) It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve month period after the reporting period.

Except for the assets classified pursuant to the basis described above, all other assets not satisfying the forgoing criteria are classified as non-current.

The liability shall be deemed as current if it is:

a) It is expected to be settled in the normal operating cycle;

b) Held primarily for the purpose of trading;

3. Significant accounting policies (Cont.)

3.3 Classification of assets and liabilities to current and non-current (Cont.)

c) Expected to be settled within twelve months following the reporting date, or

d) There is no conditional right for postponing settlement of the liability for a period of at least twelve months after the reporting date.

Except for the liabilities classified under the basis described above, all other liabilities not satisfying the forgoing criteria are classified as non-current.

3.4 Basis of consolidation

The consolidated financial statements comprise the Parent Company and its subsidiaries up to 31 December 2016. The date of the financial statements of all subsidiaries is 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties.
- Other contractual arrangements
- Historic patterns in voting attendance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits or losses and unrealized profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

3. Significant accounting policies (Cont.)

3.4 Basis of consolidation (Cont.)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Profits or losses on disposals of non-controlling interests are also recorded in equity.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities (i.e. reclassified to the statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

3. Significant accounting policies (Cont.)

3.4 Basis of consolidation (Cont.)

The subsidiaries of the Parent Company are as follows:

Subsidiary name	Ownership interest		Country of incorporation	Subsidiary objectives
	2016	2015		
Al Omran Real Estate Development Company K.S.C. (Closed)	96%	96%	State of Kuwait	Investment and development of real estates.
Time Line Project Management K.S.C. (Closed)	80%	80%	State of Kuwait	Project management & maintenance in Kuwait and abroad.
First National for Consulting K.S.C. (Closed)	-	99%	State of Kuwait	Management consulting.
Olive VFM Consulting -Kuwait K.S.C. Closed	99%	99%	State of Kuwait	Management consulting.
Al-Fanar Investment Company K.S.C. (Closed)	83.43%	83.43%	State of Kuwait	Investment.

During the year, the group sold all its share in First National for Consulting Co. K.S.C. (Closed) as just a license for an amount of KD 1,000 to external party. Such sale resulted in profit of KD 1,000, knowing that all assets and liabilities of the company were transferred to the parent company.

Fair value of investment in the subsidiary at selling date equals its carrying value.

3.5 Business combinations

Acquisitions of companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred. At the acquisition date, the assets and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. Significant accounting policies (Cont.)

3.5 Business combinations (Cont.)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 "Financial Instruments; Recognition and Measurement" or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in the consolidated statement of income.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair vale of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognise amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in the consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other consolidated comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed of.

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the group's accounting policy (see finance costs policy 3.27). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

3. Significant accounting policies (Cont.)

3.6 Property, plant and equipment

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Assets maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

3.7 Impairment of tangible assets and intangible assets

At each financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3.8 Investment Properties

This item represents properties under development (the group did not hold any properties under development at end of the year), properties where their future purposes are not determined (the group did not hold any properties under this item) and developed properties held by the group for generating lease income, capital appreciation or for both purposes.

Investment properties are initially recognized at cost, cost includes purchase price as well as transaction costs. Transaction costs include professional fees of legal services, commissions and other costs required to bring the property to its current status, in which the property shall be ready for operation to generate rental revenues, or classified for achieving other purposes of being held. Carrying value of the property includes cost of replacing part of the financial investment properties when such cost is incurred that fulfills its criteria to be recognized as investment properties. Costs of daily services are not recognized within costs of investment properties.

3. Significant accounting policies (Cont.)

3. Significant accounting policies (Cont.)

Subsequent to initial recognition of investment properties, investment properties are recognized at fair value that reflects market conditions at the reporting date. Investment properties are revalued annually and are included in the consolidated statement of financial position at their open market values (received value). Value is determined through external valuers having appropriate professional and credentials on site and nature of the investment properties supported by an evidence from market.

Any profit or loss resulting from either changes in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of income in the period in which they arise.

Transfers are made to investment properties only when there is change in usage. If an investment property is transferred to an owner-occupied property, its cost shall represents the fair value of the property at the date of usage change. If an owner-occupied property is transferred to investment property, the group shall account for it as per the accounting policy of property and equipment up to date of usage change.

Investment properties are derecognized when sold or permanently withdrawn from use and no future economic benefits are expected from selling them. Profits or losses from disposal of investment properties by the difference between the net sales proceeds or carrying value of investment properties, and recognized in the consolidated statement of income at time of disposal.

No investment properties held under future leases were classified under investment properties.

3.9 Investment properties for trading

Investment properties for trading are measured at the lower of their carrying value or fair vale less costs to sell. Investment properties for trading are classified under the group's current assets. Gains and losses from the sale of investment properties held for trading are reported in the statement of income by the difference between sale value and book value.

3.10 Investment in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies

The Group's investment in associate is accounted for under the equity method of accounting, i.e. on the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value and the consolidated statement of income reflects the Group's share of the results of operations of the associate.

3. Significant accounting policies (Cont.)

3.10 Investment in associates (Cont.)

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes resulting from the consolidated statement of income and other comprehensive income of the associate or items recognised directly in the associate's or equity of the Group, as applicable.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized profits on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared either to the Parent Company's reporting date or to an earlier date no later than three months of the Parent Company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

3.11 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

3. Significant accounting policies (Cont.)

3.11 Financial instruments (Cont.)

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, except for those financial assets and financial liabilities carried at fair value through statement of income, which are initially measured at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3.11.1 Financial assets

Financial assets are classified by the Group into the following specified categories: "cash and cash equivalent", "trade receivables", 'investments at fair value through statement of income (FVTSI)', 'available for sale investments', and 'held to maturity investments'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(a) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and short term deposits.

(b) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of income when there is objective evidence the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective rate computed at initial recognition.

(c) Investments at fair value through statement of income

Investments are classified as at fair value through statement of income where the financial asset is either held for trading or is designated upon initial recognition as at fair value through statement of income. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; or (ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset, other than a financial asset held for trading, may be designated as at fair value through statement of income upon initial recognition if: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about that is provided internally on that basis; or (iii) it forms part of a contract containing one or more embedded derivatives.

3. Significant accounting policies (Cont.)

3.11 Financial instruments (Cont.)

Financial assets at FVTSI are stated at fair value, with any resultant profit or loss recognized in the consolidated statement of income. The net gain or loss recognised in consolidated statement of income incorporates any dividend or interest earned on the financial asset.

(d) Available for sale investments

The Group classifies equity investments classified that are neither held for trading nor at fair value through statement of income, nor held to maturity investments as available for sale investments and are recognized at fair value. Gains and losses arising from changes in fair value of these investments are recognized in other consolidated statement of comprehensive income and under "fair value reserve" in equity with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the consolidated statement of comprehensive income from fair value reserve to the consolidated statement of income and presented as a reclassification adjustment within the consolidated comprehensive income.

(e) Investments held to maturity

The group classifies investments that are non-derivative financial assets with fixed or determinable payments and have fixed maturity date, other than loans and receivables, under held to maturity investments if the group has the intention and ability to hold them until maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. .

3.11.2 Impairment of Financial Assets

Financial assets, other than those measured at FVTSI, are assessed for indicators of impairment at each consolidated statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

When an AFS investment is considered to be impaired, cumulative gains or losses previously recognized in consolidated comprehensive income are reclassified to consolidated statement of income in the year.

3. Significant accounting policies (Cont.)

3.11 Financial instruments (Cont.)

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of income, with the exception of available for sale equity instruments, to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognized directly in consolidated equity.

3.11.3 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- rights to receive cash flows from the assets have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of theasset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay

3.11.4 Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through statement of income, that are carried at fair value with gains or losses recognised in the consolidated statement of income.

3. Significant accounting policies (Cont.)

3.11 Financial instruments (Cont.)

3.11.5 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognization of the original liability and the recognition of a new liability. Any difference in the carrying value is recognised directly in the consolidated statement of income.

3.11.6 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

3.11.7 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3.11.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously..

3.12 Fair value measurement

Financial instruments and non-financial assets are measured at fair value at the date of each consolidated financial position statement. Fair value measurement of financial instruments and non-financial assets is disclosed in the notes to the consolidated financial statements. More information on fair value measurement of financial instruments is disclosed in note 28. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement depends on the presumption that the asset is disposed of or the liability is settled by transferring it through one of the following cases:

- Disposal or settlement to the primary market of asset or liability, or
- In case there is no primary market for the asset or liability, disposal or settlement is done in the secondary market, i.e. in the most useful market to the asset or liability. In this context, the Group is supposed to reach the primary market or the most useful market to the asset or liability.

3. Significant accounting policies (Cont.)

3.12 Fair value measurement (Cont.)

The fair value of asset and liability are measured by using assumptions used by the participants in the market when pricing the asset or liability, and by assuming that such participants are working to reach the best achievement of their economic interests.

Fair value measurement of non-financial assets takes into account ability of the participants in the market to achieve economic benefits for them through the best way of usage at the highest and best level of the asset, or through selling the asset to another party in the market, that is expected to use the asset in an ideal way at the highest and best level. The Group uses appropriate valuation techniques that have available sufficient data to measure the fair value while using maximum observable inputs related to the asset and reducing usage of the unobservable inputs to the maximum limit.

All assets and liabilities that its fair value is measured or disclosed are classified within the fair value hierarchy. The fair value hierarchy consists of three levels: 1. In accordance with quoted prices. 2. Valuation techniques use prices of observable current market transactions. 3. Valuation techniques use generally accepted pricing models.

With regard to assets and liabilities recognised in the consolidated financial statements of the Group measured at fair value frequently, the Group determines whether there are transfers made between levels of the fair value hierarchy through reclassification at the end of each reporting period. To present the disclosures on fair value. The Group determined categories of assets and liabilities taking into consideration nature and characteristics of the risks related to the asset or liability and level of the hierarchy referred to above.

3.13 Assets held for sale

Assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management abides by sale plan where the sale shall be completely finished within one year from classification date.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

3.14 Equity and reserves

Capital represents the nominal value of shares that have been issued.

Statutory reserve represents amounts deducted from annual profits transferred to this reserve under provisions of company's articles and memorandum of association and companies' law.

3. Significant accounting policies (Cont.)

3.14 Equity and reserves (Cont.)

Profits and losses resulting from some financial instruments are recognized under change in fair value reserve.

Accumulated losses include profits realized for the current financial year and accumulated losses carried forward from the previous period..

3.15 Dividends to shareholders

The Parent Company records an obligation, when approving distribution of cash or non-cash dividends to its shareholders, when the distribution is not among the parent company's management options. The Parent Company records the obligation resulted from the cash and non-cash dividends directly in the liabilities while inserting an offsetting entry within the retained earnings. In accordance with Companies Law No. 1 of 2016 and its executive regulations, dividends are disclosed when approved by the parent company's shareholders at the annual general assembly meeting.

The non-cash dividends are measured at fair value of assets that will be distributed. Fair value measurement is recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed to the shareholders is recognised in the consolidated statement of profit or loss.

3.16 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (profits reserve on sale of treasury shares) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves.

Profits realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the profit on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3.17 Provision for employees end of services benefits

Provision is made for amounts payable to employees under the Kuwaiti Labor Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the consolidated statement of financial position date, and approximates the present value of the final obligation.

3. Significant accounting policies (Cont.)

3.17 Provision for employees end of services benefits (Cont.)

Regarding Kuwaiti employees, the Group provides contributions in the Public Institution For Social Security calculated as a percentage of employee's salary. The group's commitment is limited to these contributions, and are recorded as expenses when earned.

3.18 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.19 Related parties transactions

Related parties represent subsidiaries, major shareholders, directors, key management personnel and their family members and companies controlled or significantly influenced by such parties. All related party transactions are carried out with the approval of the Group's management, and as per pricing policies approved by the Group's management.

3.20 Contingent assets and liabilities

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

3.21 Contribution to Kuwait Foundation for the Advancement of Sciences

The Parent Company is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). KFAS is imposed at 1% of profit, less permitted deductions.

3. Significant accounting policies (Cont.)

3.22 Zakat

Contribution to Zakat is calculated at 1% of the Group's profit attributable to the Parent Company's shareholders in accordance with the Ministry of Finance resolution No. 58/2007 effective as of 10 December 2007.

Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior years is permitted.

3.23 National Labour Support Tax (NLST)

The Group calculates national Labour Support Tax ("NLST") in accordance with the ministry of finance resolution No. 19 of 2000.

3.24 Revenue recognition

Revenues are recorded to the extent possible to achieve economic benefits to the group, and the revenues can be measured reliably regardless their maturity date. Revenues are measured at fair value of the consideration amount received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after disposal of sales between group's companies, taking into consideration the payments that are based on contractual conditions. Any payments related to imposed tax or fees shall be excluded from this. The group assesses the arrangements, from which the revenues are recognized as per specific criteria in order to reach a decision concerning whether the group works as a principal or an agent.

The Group concluded that it is a principal in all of its transactions in its activities related to rent and investment. It works as an agent "on behalf of other parties with regard to revenues from management and maintenance of third parties".

The Group determines its work as a main entity if it is the main obligated party towards any contractual arrangements with other parties, and is responsible for pricing and determining its scope, and whether it is exposed to inventory risks and credit risks.

The following recognition criteria shall be fulfilled before revenue recognition:

Profits on sale of investments

Profit on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal and is recognized at the same date of the sale.

Dividends

Dividend income is recognized when group's right to receive payment is established. Group's right in such dividends is established when such dividends are announced and approved by shareholders in investee companies.

Rentals

Rental income is recognized when earned on a time proportion basis.

3. Significant accounting policies (Cont.)

3.24 Revenue recognition (Cont.)

Murabaha and wakala income

Murabaha and wakala income is recognized as it is earned on a time proportion basis, using the effective rate of return.

Real estate sales income

Real estate sales income is recognised on accrual basis, when all the following conditions are met:

- On completion of sale transaction and signing the contracts.
- When investment of the buyer (sale value) is sufficient to indicate his commitment to pay value of the real estate as at date of the consolidated financial statements.
- Receivables category of the group shall not be less than the sale in the future.
- When the group already transferred all the regular risks and rewards and real estate ownership to the buyer through selling transaction and the group does not have any continuous substantial participation in the real estate or its ownership.

If the works required for completing the building can be measured and recorded on an accrual basis easily, or if such works are not significant as for the total value of the contract and if all abovementioned conditions are fulfilled except the last condition, the percentage of completion shall be the method applied in recognizing the revenue.

Management fees and maintenance of third party properties

The group works by virtue of contracts with other parties for management and maintenance of its income-generating properties for a percentage agreed upon in the relevant contracts. Revenues of the group for managing such properties represent net commission received from management and maintenance of third parties' properties. In this activity, the Group works as an agent for other counterparties.

Other income

Other income is recognized on accrual basis.

3.25 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in consolidated statement of income.

3. Significant accounting policies (Cont.)

3.25 Foreign currency translation (Cont.)

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than KD (the Group's presentation currency) are translated into KD upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expense items are translated into the Group's presentation currency at the average rate over the reporting period.

Financing costs

Financing costs primarily comprise costs on the Group's murabaha. Financing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other financing costs are expensed in the period in which they are incurred and are recognised in consolidated statement of income in the period in which they are incurred.

3.26 Leasing

The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

The Group as a lessee

a) Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as expense in the period in which they are incurred.

b) In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Significant accounting judgements and estimation uncertainity

Accounting judgements

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements.

Commitments of operating lease agreements

The group entered into trade operating leases with other parties. The group determined, based on review and assessment of conditions and rules of these arrangements, such as term of leases that does not form a major part of the economic useful life of properties, and fair value of an asset, and whether it retains all significant risks and rewards of ownership of the real estate leased to third parties. Therefore, the group accounts for all of these contracts as operating lease arrangements.

The group's status as a principal

The group conducts a revision and assessment to determine whether its current status as a principal or an agent in its commercial transactions has changed. Such revision and assessment cover any change in the overall relationship between the group and other parties dealing with the group, which may mean that its current status as a principal or an agent has changed. Such as if changes occurred to rights of the group or other parties, the group would reconsider its current status as a principal or an agent. Initial assessment considers market conditions that originally led the group to consider itself as principal working as a main principal or an agent in arrangements of revenues contracts. The group concluded that it works as a main principal in all contracts and arrangements leading to revenues to the group, except its activity related to management and maintenance of third parties properties.

Impairment of receivables

Objective evidence of impairment for a portfolio of receivables could include the Group's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in international and financial economic conditions that correlate with default on receivables.

Impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Investment classification:

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, available for sale or held to maturity investments.

4. Significant accounting judgements and estimation uncertainity (Cont.)

Accounting judgements (Cont.)

Financial investments at fair value are investments which are designated as held for trading investments and investments at fair value, at initial recognition, through consolidated statement of income on initial recognition.

Classification of investments as investments at fair value at initial recognition through statement of income depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported in the management accounts.

As part of statement of income, at initial recognition, they are classified as at fair value through statement of income. All other investments are classified as available for sale or as held to maturity.

Classification of investment property

The Group decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate lease income or for capital appreciation, or for undetermined future use.

Estimates uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the consolidated financial statements within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following recent arm's length market transactions:

- current fair value of another instrument that is substantially the same; or
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation..

5. Investment properties

	2016	2015
	KD	KD
Balance at 1 January		
Transferred to investment properties for trading	9,714,801	12,409,801
Transferred from investment properties for trading (Note 8)	-	(2,880,000)
Change in fair value	750,000	-
Balance at 31 December	137,379	185,000
Balance at end of the year	10,602,180	9,714,801

Investment properties were recognized at fair value determined based on independent valuers one of them is a local bank for local properties and independent valuers for properties outside the State of Kuwait and the lower value was adopted to determine the fair value as at 31 December 2016.

Fair value of the group's investment properties was reached to as at 31 December 2016 based on the valuation done on that date by independent valuers who are not related to the group. Those valuers are licensed by the official bodies and they have qualifications and latest experience in valuation of properties at these locations. Fair value of investment properties is determined based on comparable market prices which reflect prices of recent transactions for similar real estates and method of net discounted cash flows model resulted from acquisition of such investments. To estimate the value of such real estates, it has been supposed that the current usage for the real estates is the best usage for the same.

The investment properties by geographical location are as follows:

	2016	2015
	KD	KD
Land - Kingdom of Bahrain	509,108	501,748
Land - KSA	9,213,072	9,213,053
Properties - State of Kuwait	880,000	-
	10,602,180	9,714,801

6. Investment in an associate

During the last quarter of the current year ended 31 December 2016, group's management sold the full share of parent company of 24.5% in Olive FM (K.S.C. Holding) - the subsidiary with an amount of KD 473,406. Such sale resulted in profit of KD 11,424.

7. Available for sale investments

	2016	2015
	KD	KD
Quoted local investments available for sale	3,983,156	3,794,563
Unquoted local equity instruments	9,012,115	8,473,806
Quoted Foreign equity instruments	341,312	182,103
Investment in unquoted foreign equity instruments	2,058,735	2,002,734
	15,395,318	14,453,206

With regard to available for sale investments in unquoted equity instruments of KD 11,070,850 (31 December 2015: KD 10,476,540), management determined its fair value based on the audited financial statements of such companies, through calculation of company's share out of net assets value based on market inputs.

The carried forward value of certain quoted local available for sale investments in equity instruments with related party and managed by another related party, reached KD 2,173,500 as at 31 December 2016 (31 December 2015: KD 1,651,860) (Note 22).

8. Investment property for trading

Investment properties held for trading of KD 2,130,000 as at 31 December 2016 (31 December 2015: KD 2,880,000) are local investment properties reclassified during the previous year from investment properties, pursuant to group's management decision, in order to sell them for purposes of providing the required liquidity for facing possibilities of payment and settlement of due debt from the group that represents short term murabaha payables.

During the year, board of directors of the parent company has reclassified investment properties for trading of KD 750,000 as at 31 December 2016 within investment properties (Note 5).

The fair value of investment properties held for trading amounted to KD 2,400,000 as of 31 December 2016..

9. Receivables and other debit balances

	2016	2015
	KD	KD
Trade receivables	1,299,202	634,311
Other receivables	105,251	285,618
Provision for doubtful debts	(567,123)	(567,123)
	837,330	352,806
Prepaid expenses	22,501	11,547
Due from employees	15,668	14,733
Refundable deposits	14,050	13,050
	889,549	392,136

10. Investments at fair value through statement of income

	2016	2015
	KD	KD
Quoted local financial portfolios	1,723,765	1,305,680
Quoted foreign investments	399,696	405,247
	2,123,461	1,710,927

Certain investments at fair value through statement of income are invested in equity instruments with related party and managed by another related party, their carried forward value reached KD 1,575,000 as at 31 December 2016 (31 December 2015: KD 1,197,000) (Note 22).

11. Cash and cash equivalents

	2016	2015
	KD	KD
Cash in hand and at financial institutions	1,681,522	1,051,646
Investment deposit	500,000	500,000
Cash at investment portfolios	84,186	4,620
Investment saving account	1,148,548	2,078,830
	3,414,256	3,635,096

The investment deposit matures within three months from placement and is automatically renewable.

Saving and investment deposit accounts at an Islamic local bank are in Kuwaiti Dinar and yield income are recognised when declaring the yield by the local Islamic bank.

12. Assets held for sale

Assets held for sale represent net assets of the associate (Kuwaiti African Holding Company) a company established in the Republic of Tunisia. The parent company decided to liquidate the associate due to the current political situations in Tunisia. The parent company's management assessed the recoverable amount of this item at end of the financial year. Value of investment in assets held for sale has impaired of KD 268,910. Such impairment was recorded as loss in the consolidated statement of income.

13. Share capital

The Parent Company's authorized, issued and fully paid capital comprises of KD 19,103,898 (31 December 2015: KD 19,103,898) allocated over 191,038,980 shares of nominal value 100 fils per share (31 December 2015: allocated over 191,038,980 shares of nominal value 100 fils per share) and all shares are in cash.

14. Share premium

The share premium represents increase of the cash collected for the nominal value of shares of the issued capital, which is not distributable except to the extent stated by law.

15. Statutory reserve

In accordance with the Companies' Law, as amended, and the Parent Company's Articles of Association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount. No transfer to statutory reserve was made because of the accumulated losses incurred.

16. Voluntary reserve

In accordance with the parent company's articles of association, a percentage is transferred to the voluntary reserves as proposed by the board and approved by the general assembly. This transfer was stopped by a resolution of the general assembly of shareholders based on a proposition from the board of directors. No transfer to voluntary reserve was made because of the accumulated losses incurred.

17. Treasury shares

	2016	2015
Number of shares (No's)	2,910,761	2,910,761
Percentage of issued shares (%)	1.52	1.52
Market value (KD)	68,403	69,858
Cost (KD)	1,452,034	1,452,034

18. Purchase of land payables

This item represents the value of due on purchase of land in Jebel Ali area in UAE.

19. Provision for employees' end of service indemnity

The Group calculates its employees' end od service indemnity as per the Kuwaiti labor law.

The movement on this is as follows:

	2016	2015
	KD	KD
Balance at 1 January	639,569	545,528
Charged on consolidated statement of income	89,695	94,972
Paid	(35,434)	(931)
Balance at 31 December	693,830	639,569

20. Payables and other credit balances

	2016	2015
	KD	KD
Trade payables	1,098,395	1,211,776
Accrued expenses and leave	224,422	207,305
Third party insurance	108,714	99,988
Other credit balances	87,267	62,694
	1,518,798	1,581,763

Trade payables represent property owners payables resulted from the Group's collection of rent amounts from properties managed by the Group on behalf of others, which is subsequently paid to owners by the Group.

Third party insurance represents amounts received from tenants that are returned when they are no longer needed.

21. Murabaha payables

	2016	2015
	KD	KD
Murabaha payables obtained judgment by court	5,711,992	5,711,992
Murabaha payables with no judgment issued thereto	12,780,000	12,780,000
	18,491,992	18,491,992

Murabaha payables are granted by local financial institutions.

21. Murabaha payables (Cont.)

One the local banks that finance the group has filed a case against the parent company of a claim of KD 18,491,992 to return such finance.

During year 2015, a First Instance judgment was issued in favor of the bank, obliging the group to pay an amount of KD 5,711,992. Such judgment was appealed and the First Instance judgment was supported. During the current year, the appeal judgment was challenged by cassation by the Group, and it is being considered before cassation court.

22. Related parties transactions

Related parties represent associated companies, major shareholders, directors and key management personnel, their family members and entities controlled or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Group's management. Related party transactions are as follows:

	2016	2015
	KD	KD
Consolidated statement of financial position:		
Investments at fair value through statement of income (Note 10)	1,575,000	1,197,000
Available for sale investments (Note 7)	2,173,500	1,651,860
Consolidated statement of income:		
Senior management benefits and salaries	234,600	247,067
Portfolio management fees	1,926	2,206
Management and maintenance contract income	96,425	84,638

23. Net lease income

	2016	2015
	KD	KD
Real estate rental income	287,399	279,041
Operating costs	(23,639)	(27,632)
	263,760	251,409

24. Net profits from management and maintenance of third party properties

	2016	2015
	KD	KD
Management fees and maintenance of third party properties	450,200	429,994
Operating costs	(353,522)	(333,259)
	96,678	96,735

25. General and administrative expenses

	2016	2015
	KD	KD
Senior management benefits and salaries	234,600	247,067
Staff costs	480,347	488,211
Other	236,300	245,098
	951,247	980,376

26. Basic earnings per share

Basic earnings per share are calculated by dividing the net earnings for the year attributable to the Parent Company owners by the weighted average number of ordinary shares outstanding during the year taking into account treasury shares, as follows:

	2016	2015
	KD	KD
Net profit for the year attributable to owners of the parent company (KD)	77,138	171,676
Weighted average number of outstanding shares (share)	188,128,219	188,128,219
Basic earnings per share (fils)	0.41	0.91

27. Operating Segments

Operating segments are identified on the basis of internal reports about the Group's components which are regularly reviewed by the chief operating decision maker in order to assess its performance. The management has classified the Group's products and services into the following operational segments according to the IFRS 8: Operating Segments":

27. Operating Segments (Cont.)

- Real Estate Management
- Supervision management
- Investment properties
- Financial investments
- Other

The inter transactions between operating segments are priced at cost. Only the operating segments revenues from external clients are stated, whereas the inter transactions between these segments are excluded. The operating segments profit represents the profit realized from each segment without distributing the general and administrative expenses and other expenses according to the policy adopted in preparing and submitting the internal reports to the chairman and the managing director to take decisions. .

	Revenues from operating segments		Operating segments profits	
	2016	2015	2016	2015
	KD	KD	KD	KD
Real Estate Management	737,099	709,035	360,438	348,144
Supervision Management	-	1,971	(1,682)	779
Real estate investments	137,379	185,000	137,379	185,000
Financial investments	499,089	643,039	482,032	604,039
	1,373,567	1,539,045	978,167	1,137,962
Other	14,667	20,718	15,667	20,718
	1,388,234	1,559,763	993,834	1,158,680
General and administrative expenses			(951,247)	(980,376)
Net profit for the year			42,587	178,304

27. Operating Segments (Cont.)

The following is the analysis of assets and liabilities of operating segments for the purposes of monitoring segment performance and allocation of resources among them:

	As at 31 December	
	2016	2015
	KD	KD
Assets		
Real Estate Management	134,997	112,006
Supervision Management	146,216	148,294
Investment properties	14,071,166	13,349,801
Financial investments	20,392,692	20,093,715
	34,745,071	33,703,816

	As at 31 December	
	2016	2015
	KD	KD
Liabilities		
Real Estate Management	119,413	118,502
Supervision Management	747	723
Investment properties	9,144,370	8,600,865
Financial investments	13,769,514	14,322,658
	23,034,044	23,042,748

Geographical segments:

	Assets		(Losses)	
	2016	2015	2016	2015
	KD	KD	KD	KD
State of Kuwait	21,336,885	20,330,146	31,160	171,906
Outside the State of Kuwait	13,408,186	13,373,670	11,427	6,398
	34,745,071	33,703,816	42,587	178,304

28. Financial instruments

(a Capital risk management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, through the optimisation of the debt and equity balance so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group's sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debt and or sell assets to reduce debt.

Consistent with the industry norm, the group monitors capital on the basis of percentage of borrowing rate, which is calculated by net borrowing value divided by total invested capital. Net debt is calculated as total borrowings (murabaha payables) less cash and cash equivalents. Total invested capital is calculated by total equity and net borrowing.

Gearing ratio

	2016	2015
	KD	KD
Murabaha payables	18,491,992	18,491,992
Cash and cash equivalents	(3,414,256)	(3,635,096)
Net lending	15,077,736	14,856,896
Equity attributable to owners of the Parent Company	9,786,055	8,780,461
Capital invested	24,863,791	23,637,357
Gearing ratio	60.64%	62.85%

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate. The maximum credit risk exposure is not materially different from the carrying values in the consolidated statement of financial position.

28. Financial instruments (Cont.)

(c) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consist principally of investments at fair value through statement of inocome and available for sale investments. The Group manages this risk by diversifying its investments on the basis of the pre- determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	2016			2105		
	Change in equity price	**Effect on consolidated statement of income**	**Effect on the consolidated statement of income and other comprehensive income**	**Change in equity price**	**Effect on consolidated statement of income**	**Effect on the consolidated statement of income and other comprehensive income**
	%	KD	KD	%	KD	KD
Investments at fair value through statement of income	+5	106,173	-	+5	85,546	-
Available for sale investments	+5	-	769,766	+5	-	722,660

(d) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management monitors the positions on a daily basis to ensure positions are maintained within established limits.

The effect on profit (due to change in the fair value of net assets), as a result of change in currency rate, with all other variables held constant is shown below:

28. Financial instruments (Cont.)

	2016	2015
	KD	KD
Saudi Riyals	10,381,631	10,368,902
UAE Dirham	737,033	722,749
Bahraini Dinars	509,108	501,729
Omani Riyal	17	17

Assuming a change in foreign exchange of the above currencies by +5%, the income will increase or decrease by an amount of KD 581,389 for the year ended 31 December 2016 (KD 579,670 for the year ended 31 December 2015).

(e) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Company periodically invests in bank deposits or other investments that are readily realizable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's undiscounted financial liabilities based on contractual undiscounted repayment obligations.

31 December 2016	Within months	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	-	-	18,491,992	-	-	18,491,992
Payables and other credit balances	-	-	1,518,798	-	-	1,518,798
Purchase of land payables	-	-	-	2,329,424	-	2,329,424
Provision for employees' end of service indemnity	-	-	-	-	693,830	693,830
Total liabilities	-	-	20,010,790	2,329,424	693,830	23,034,044

28. Financial instruments (Cont.)

31 December 2015	Within months	1 – 3 months	3-12 months	1-5 years	Over 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payables	-	-	18,491,992	-	-	18,491,992
Payables and other credit balances	-	-	1,581,763	-	-	1,581,763
Purchase of land payables	-	-	-	2,329,424	-	2,329,424
Provision for employees' end of service indemnity	-	-	-	-	639,569	639,569
Total liabilities	-	-	20,073,755	2,329,424	639,569	23,042,748

(f) Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows:

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of financial assets (unquoted funds and bonds) is determined based on prices from observation current market transactions.
- The fair values of other financial assets (unquoted equity securities) are determined in accordance with the acceptable pricing models.

Fair value measurements recognized in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

28. Financial instruments (Cont.)

All assets and liabilities that its fair value is measured or disclosed are classified within the fair value hierarchy. The fair value hierarchy consists of three levels; 1: In accordance with quoted prices. 2: Valuation techniques use prices of observable current market transactions. Level 3: Valuation techniques use generally accepted pricing models.

To present the note on the fair value, the Group determined categories of assets and liabilities taking into consideration nature and characteristics of the risks related to the asset or liability and level of the hierarchy referred to above

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Investments at fair value through statement of income				
Unquoted equities	2,123,461			2,123,461
Available for sale investments				
Quoted equities	4,324,468	-	-	4,324,468
Unquoted equities	-	11,070,850	-	11,070,850
Total	6,447,929	11,070,850	-	17,518,779

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Investments at fair value through statement of income				
Unquoted equities	1,710,927	-	-	1,710,927
Available for sale investments				
Quoted equities	3,976,666	-	-	3,976,666
Unquoted equities	-	10,476,540	-	10,476,540
Total	5,687,593	10,476,540	-	16,164,133

29. General assembly of shareholders

On 30 May 2016, the Parent Company's General Assembly of shareholders approved the financial statements for the year ended 31 December 2015 and not to distribute dividends for the this financial year.

30. Contingent commitments and liabilities

	2016	2015
	KD	KD
Capital commitments		
Bank guarantees	1,198,590	1,198,590